

MULBERRY GROUP PLC
COMPANY NUMBER 01180514



MULBERRY

ANNUAL REPORT AND ACCOUNTS

For the year ended
31 March 2015

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Highlights

FINANCIAL HIGHLIGHTS

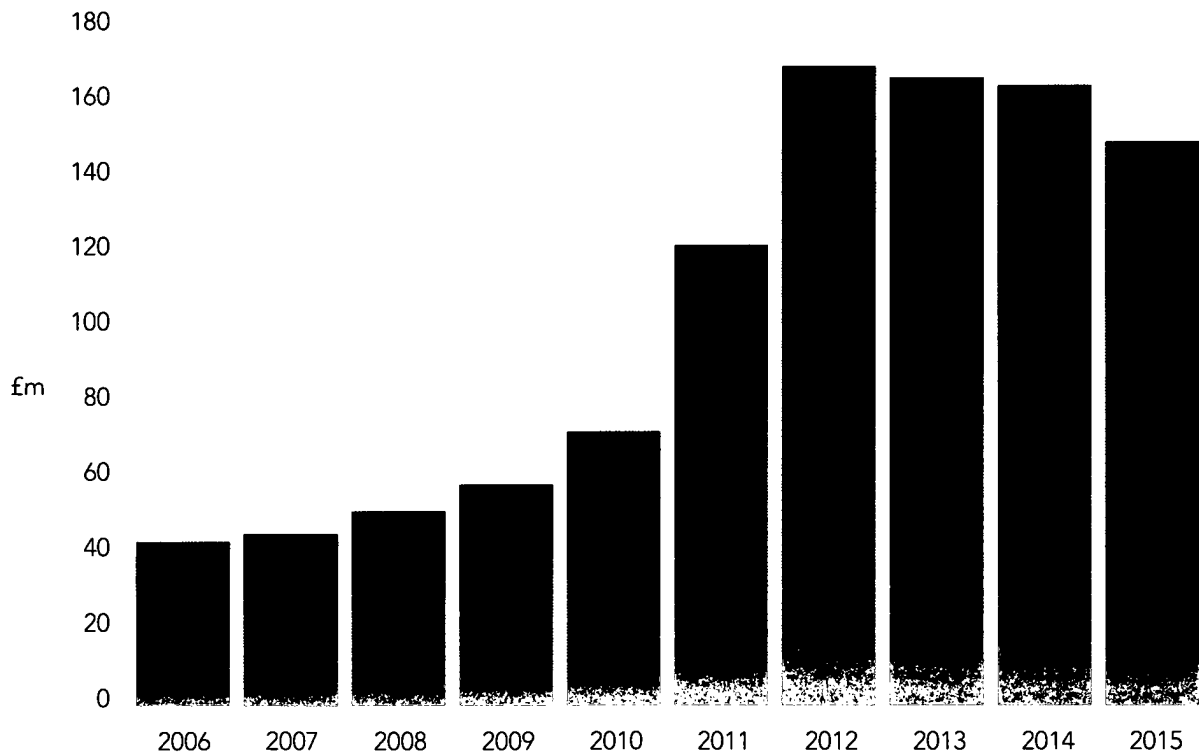
- Retail sales £109.9 million for the year (+1%); up 9% during H2 and down 9% during H1
- Wholesale down 29% to £38.8 million
- Total revenue down 9% to £148.7 million (2014: £163.5 million)
- Adjusted* profit before tax of £4.5 million (2014: £17.4 million), ahead of expectations; profit before tax of £1.9 million (2014: £14.0 million)
- Loss after tax of £1.4 million (2014: profit after tax of £8.6 million)
- Adjusted* basic earnings per share of 2.1p (2014: 19.8p); basic loss per share of 2.3p (2014: basic earnings per share of 14.5p)
- Proposed dividend of 5.0p per share (2014: 5.0p per share)

OPERATING HIGHLIGHTS

- Positive uplift in Retail sales from November 2014 as a result of new products and the actions taken at the beginning of H1 to realign the product pricing strategy
- Roll-out of omni-channel services to full price standalone stores in the UK. Digital sales up 15% to £18.0 million for the year, accounting for 12% of Group sales (2014: 10%)
- Opened four new directly-operated international stores and one concession
- Approximately 50% of handbags now manufactured in the UK

*Adjusted to add back exceptional items as shown in the Group's Income Statement.

10 YEAR REVIEW



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Strategic report

Year ended 31 March 2015

BUSINESS REVIEW

Total revenue for the year to 31 March 2015 was £148.7 million, down 9% from £163.5 million last year, reflecting a small growth in Retail sales which was offset by a decline in Wholesale sales. Retail trading improved significantly from November 2014 following the successful introduction of the Spring Summer 2015 collection which reflected the realigned product pricing strategy. The benefit of this initiative has continued into the new financial year.

Retail

Retail sales were up 9% during H2 and down 9% during H1, overall increasing by 1% to a total of £109.9 million for the year (2014: £109.0 million). Growth during the year was supported by new store openings whilst like-for-like sales were down 2%.

- UK Retail sales (excluding digital) were down 7% (like-for-like -7%) for the year to £74.7 million (2014: £80.0 million);
- International Retail sales (excluding digital) were up 28% (like-for-like +2%) for the year to £17.2 million (2014: £13.5 million);
- Digital sales were up 15% to £18.0 million for the year, accounting for 12% of Group sales (2014: 10%); and
- During the year, four new directly-operated stores were opened in the USA and Germany, one concession was opened in France and the Stansted Airport store was temporarily closed due to the redevelopment of the terminal. There were 70 directly-operated stores as of 31 March 2015 (2014: 66 stores).

Wholesale

As previously reported, the Wholesale business was down 29% to £38.8 million (2014: £54.5 million) and is expected to stabilise during the current financial year reflecting the natural lag between the two channels.

The Wholesale network at the year end had a total of 54 partner stores in Asia, Europe and the Middle East (2014: 56).

Financial

Gross margin was 60.5% for the year to 31 March 2015, down 280 basis points relative to the prior year (2014: 63.3%). This reflects a positive channel mix effect which was offset by other factors, including the pricing decisions taken on new product launches and lower manufacturing margins while the new factory in Somerset was building up to full capacity and efficiency during H1.

Operating expenses for the year decreased by £1.6 million to £88.6 million (2014: £90.2 million). This was primarily a composite of increased retail costs for new directly-operated international stores opened during this year and the previous year of £6.7 million, less savings in: 1) turnover-related expenses (£3.7 million), 2) senior management costs (£2.4 million), and 3) advertising and promotion costs (£1.5 million). In addition, and as previously reported, operating expenses included a £2.7 million non-cash impairment relating to five international stores (2014: £2.7 million relating to two international stores).

On an adjusted basis, profit before tax was £4.5 million (2014: £17.4 million), ahead of expectations. Profit before tax was £1.9 million (2014: £14.0 million).

The Group incurred a tax charge of £3.3 million (2014: £5.4 million) which has resulted in a high effective tax rate for the year which is largely due to tax losses in overseas subsidiaries which cannot be offset against UK taxable profits.

The Group generated a loss after tax of £1.4 million (2014: profit after tax of £8.6 million) resulting in a basic loss per share for the year of 2.3p (2014: basic earnings per share: 14.5p). Adjusted basic earnings per share was 2.1p (2014: 19.8p).

Capital and investment expenditure for the period was £17.0 million, of which £7.3 million related to the acquisition of the lease rights to the new Paris flagship store, £7.9 million related to new stores and £1.0 million to investment in digital and IT systems.

Inventories have increased to £39.4 million from £33.8 million at the start of the period due to the lower than planned sales performance and the higher number of directly-operated stores. The Group had cash of £9.9 million at 31 March 2015 (2014: £23.4 million) and no debt.

Strategic report

(continued)

Dividend

The Board of Mulberry seeks to balance paying dividends to shareholders with investing in the business. Despite the reduced profitability of the last two years, the Board remains confident of the medium term outlook and is recommending the payment of a dividend on the ordinary shares of 5.0p per ordinary share (2014: 5.0p) which will be paid on 26 November 2015 to shareholders on the register on 30 October 2015.

BUSINESS MODEL

Mulberry is a vertically integrated luxury brand which was founded in 1971 in Somerset by a young English entrepreneur, Roger Saul. The Group designs, develops, manufactures, markets and sells products under the Mulberry brand name. The Group has 1,300 employees (full-time equivalents), the majority of whom are based in the UK. The design studio is based in London, where the seasonal collections are conceived. The two Somerset factories, which are owned by the Group, employ nearly 700 people and manufacture approximately 50% of the brand's handbags. The remainder of production is outsourced to specialist third parties, mainly outside the UK, with whom the Group has long-standing relationships.

Mulberry's product offer spans several categories. Leather accessories account for over 90% of the Group's revenues, within which bags represent over 70% of revenues. Other important product categories include small leather goods, shoes, soft accessories and women's ready-to-wear.

Brand and marketing activities are based in London with the support of offices in Paris and New York. Mulberry distributes its products globally via 124 stores in 24 countries (70 directly-operated, 54 partner), the brand's digital site (mulberry.com) and selected wholesale partners.

Digital has become an important part of the business and is expected to continue to increase in importance going forward, both as a revenue channel and as a highly effective means of engaging with the Group's customers. Mulberry's digital business is managed in-house, utilising industry-leading software. The brand's transactional website (mulberry.com) trades in three currencies and ships to 190 countries, all of which are fulfilled from the UK. Omni-channel functionality was launched in the UK during the year and includes in-store digital ordering, in-store collection of digital orders (Click & Collect) and in-store digital returns.

Stores remain an integral and important part of the Group's business model. Mulberry directly operates stores in the UK, continental Europe and North America. In Scandinavia, Mulberry has long-standing partners who run ten stores in those markets. Partners also run Mulberry stores in Asia (39 stores), the Middle East (four stores) and continental Europe (one store). Looking forward, it is expected that the business model will reflect the significant changes occurring in the luxury industry with strategically-placed stores and selective relationships with key wholesale accounts supporting a comprehensive digital service globally, with all touch points providing the same customer experience.

STRATEGY

The long term objective is to grow Mulberry as a global luxury brand and thereby create shareholder value. The main KPI in the medium term is revenue growth, both for the Retail and Wholesale channels. In relation to Retail, this includes both total and like-for-like sales growth, the latter being defined as the year-on-year change in sales from stores which have been trading both during the current and previous periods.

1. **Product:** The price positioning of the Mulberry brand has been clarified during the year with particular focus on the critical price range for bags of £500-£1,000. As a result of the changes made, bags within this price range for the Spring Summer 2015 collection represented 66% of the assortment compared to 45% for Spring Summer 2014. The recent improvement in sales momentum suggests that this is a successful strategy. To date, the focus has been on leather goods, which account for over 90% of Group sales. Looking forward, the Group plans to apply the same principles to all product categories, aligning the price point of shoes and ready-to-wear collections with bags in order to make those collections more relevant to the Group's core customers.

- Brand:** Mulberry will continue to invest in building the brand globally via a dynamic marketing and communication strategy, engaging with new and loyal customers as well as continuing to enhance the understanding of the brand in new and emerging markets. On a regional basis, marketing activities remain carefully tailored.

The Group aims to connect with its customers via the increased use of digital and social media. Digital media spend as a proportion of the total media spend is expected to rise from approximately 30% to 50% over the medium term.

- Omni-channel:** The Group will continue to strengthen its position in the UK and expand internationally through its omni-channel strategy with well-situated stores complemented by a strong digital presence.

There has been a significant investment in the Mulberry store network over recent years which has meant that approximately 30% of the stores are less than three years old. In the short to medium term, the Group plans to open fewer stores and focus upon improving the range of omni-channel services to match rapidly evolving customer buying behaviour. Approximately 50% of the Group's digital sales are now executed on mobile phones and tablets, whilst two thirds of searches are made using these devices.

- Operations:** The Group continues to invest in its operational capability to maintain a high quality, scalable platform for the business.

The second UK factory, which opened during June 2013, is now operating at full capacity and efficiency. Nearly 50% of handbags are now manufactured in the UK, which reinforces the authenticity of the Mulberry brand and, at a practical level, contributes to the attainment of high quality standards. Looking forward, the Group is committed to its "Made in England" strategy and intends to maintain its UK production of handbags close to this 50% level. Since the UK factories are already approaching full capacity, this is likely to involve opening further new factories in the UK as the Group's revenues increase.

The Group has followed a sustained strategy of investing in its IT platform for many years. This is considered to be vital to the future growth and evolution of the business. During the year, the roll-out of a new EPOS system was completed. This project enables an embedded CRM capability to be activated. This will help the Group to understand its main customer segments and create an improved customer experience across all touch points. IT will continue to play a pivotal role in the evolution of the Group's omni-channel capabilities.

CURRENT TRADING AND OUTLOOK

Total Retail sales for the ten weeks to 6 June 2015 were up 17% relative to the same period last year (like-for-like Retail sales +15%). The table below provides the percentage change for each Retail segment for this year versus last year.

	Retail total sales				Retail like-for-like sales*			
	26 weeks to 30 Sept 14	26 weeks to 31 Mar 15	52 weeks to 28 Mar 15	10 weeks to 6 June 15	26 weeks to 30 Sept 14	26 weeks to 31 Mar 15	52 weeks to 28 Mar 15	10 weeks to 6 June 15
UK Retail	-16%	+1%	-7%	+13%	-17%	+3%	-7%	+17%
International								
Retail	+20%	+34%	+28%	+22%	-2%	+6%	+2%	-4%
Digital	+1%	+26%	+15%	+40%	+1%	+26%	+15%	+40%
Total sales	-9%	+9%	+1%	+17%	-13%	+7%	-2%	+15%

* Like-for-like defined as the year-on-year change in sales from stores which have been trading both during the current and previous period

The Group expects that the Wholesale business will stabilise during the current financial year supported by the Autumn Winter 2015 and Spring Summer 2016 order books which are developing satisfactorily.

Strategic report

(continued)

The Group intends to continue building on the sales momentum achieved during the second half of the financial year by ensuring its ranges reflect the Mulberry brand values of quality, value for money and innovation. The Group looks forward to the arrival of its new Creative Director, Johnny Coca, on 8 July and expects his first collection to reach its stores during June 2016.

After several years of significant investment, the Group plans to open fewer new stores and will focus on improving productivity in its existing stores and in its UK factories. The Group is continuing to enhance the systems which underpin the omni-channel offering in the UK as well as rolling out the omni-channel services to key international markets during this financial year.

Operating costs are expected to increase during the current financial year. This is due to the costs of new stores opened both this year and last year, rent reviews for the Bond Street flagship store and Kensington Church Street head office as well as the costs relating to the new senior management team.

The new flagship store in Paris on Rue Saint-Honoré opened on 24 April 2015 and is trading encouragingly. Our partner has opened a store in Macau on 7 June 2015. Two stores have been closed since 31 March 2015. The small store on Rue Saint-Honoré was closed to coincide with the opening of the new flagship with the lease being sold for a cash consideration of £1.5 million. The store on Grant Avenue in San Francisco was closed and the lease sold for a cash consideration of £2.2 million. A profit has been recorded on each of these transactions.

Capital expenditure for the year to 31 March 2016 is expected to be in the region of £10.0 million (2015: £17.0 million), of which the majority will be on stores.

The Directors have reviewed the financial projections for the future in light of current trading and considered the capital expenditure commitments and expected cash flows compared to available borrowing facilities. As a consequence, the Directors have a reasonable expectation that the Group will have sufficient financial resources to continue its current operations for the foreseeable future and the Directors have continued to adopt the going concern basis in preparing the financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's growth strategies are subject to a number of risks which could adversely affect the Group's future development. The principal risks are discussed below.

- **Individual market performance.** With the international store opening programme in Europe and North America, there is the risk that these markets will not develop in line with expectations. This risk has continued to grow in importance following the increase in the number of international stores and the level of losses being incurred overseas. The risk is mitigated through the financial evaluation of each potential new store location and the continued oversight by senior management. As a consequence of the review of the international business the decision was made during the year to impair the assets in five stores (2014: two stores) which were not performing in line with expectations. These stores were relatively new and trading at a loss. They are in developing markets which will benefit from the new creative direction of the Group and in which the omni-channel strategy has not yet been rolled-out.
- **Currency risk.** The Group's sales and purchases are made in Sterling, Euros and US Dollars and so it is exposed to the movement in these exchange rates. This is an increasing risk that with the relative strength of Sterling against the Euro and the increased percentage of bags manufactured in the UK, that this will lead to pressure on margins. The Group manages this risk by, wherever possible, building a natural hedge of Euro and US Dollar denominated sales and purchases whereby the inflows and outflows of Euros and US Dollars are roughly equal. If significant currency positions were to develop, forward foreign exchange contracts would be used to mitigate the exposure.

- **Cash.** The management of cash is of fundamental importance. The decrease in cash during the year reflects the overall trading performance, offset by the capital expenditure programme being undertaken to open new international stores. At the year end the Group had a cash balance of £9.9 million (2014: £23.4 million). The Group currently has no debt but nonetheless has arranged bank facilities of £6.0 million (including £4.0 million of a multicurrency overdraft facility) which are in place until 31 May 2016. In addition, the Group has arranged a £7.5 million revolving credit facility which expires in January 2016. As such, the Group is on a firm financial footing and confident of its ability to continue as a going concern.
- **UK production.** With the increase in percentage of products being made internally, there is a risk that the Group gross margin may be diluted through inefficient production. Production techniques are kept under continual review to ensure we are creating quality products in an efficient manner.
- **Loss of talent and successful management transition.** The risk of the loss of key personnel is mitigated by regular reviews of remuneration packages (including long term incentive schemes) and succession planning within the management team. For each new management role, a comprehensive induction programme is in place followed by a detailed hand over period where possible.
- **Economic climate.** The Group continues to be impacted by the wider global economic climate but any further deterioration could affect sales both in the UK and internationally. A significant amount of Mulberry sales are generated in the UK and so a decline in the UK economy that reduced consumer spending on luxury goods could materially affect trading results. The Group's continuing strategy to increase the penetration of international markets is expected to reduce the impact of this risk over time.
- **Competition.** Competitive pressures, changes in luxury fashion trends and hence consumer demand are continuing risks which could result in a loss of sales. The Group manages this risk by the continuous investment in the design of new products and marketing to stimulate customer interest and by maintaining strong relationships with customers.
- **Trademarks.** As with all brands, the Group is exposed to risk from unauthorised use of the Group's trademarks and other intellectual property. These are not included on the balance sheet but any infringement could lead to a loss of profits and have a negative impact on image. Trademarks are registered and where any infringements are identified, appropriate legal action is taken.
- **Terrorist activity.** A major terrorist attack, particularly in central London, could seriously affect the Group's operations, as would a fire or significant disruption to the Group's warehouse. The Group has developed a business continuity plan to mitigate the impact, as well as making sure that adequate insurance is in place.
- **Systems.** Over the next year, the Group plans to continue the development of its omni-channel offering and CRM. If these projects were to be unsuccessful, or there was an interruption to other major systems, it could have an impact on operations. Senior management involvement and significant pre-implementation testing are part of the carefully designed project to minimise the risks of the roll-out.

Strategic report

(continued)

CORPORATE SOCIAL RESPONSIBILITY

The Group's approach is to make a positive difference to the people, environment and communities in which it works. As part of this policy it ensures that suppliers adhere to the Global Sourcing Principles. This helps to create the right environment for their workers, including working hours and child labour provisions, and animal welfare principles.

There is a continuous process to identify ways to reduce waste and the impact on the environment. In 2006 an apprenticeship programme started in the main factory which has been extremely successful and is complemented by the investment in graduate internships and training for NVQ qualifications within the retail and production sites.

Mulberry actively donates money, product and support to charities in our local communities. Each year three charities are selected by employees for the Group to support. For the year under review these were:

- The Brain Tumour Charity – a national charity working to make a real difference for everyone living with a brain tumour, from funding pioneering research to raising awareness;
- Bath Mind – this provides advice and support to empower anyone experiencing a mental health problem in the Bath and Somerset area; and
- The Manna Society – this charity runs a day centre near London Bridge station for homeless people.

The Group is committed to an active equal opportunities policy. It is the Group's policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. Employment practices are applied which are fair, equitable and consistent with the skills and abilities of our employees and the needs of the business.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group, which is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. Employee Committees have been established covering each of our main sites.

PEOPLE

During April we announced the appointment of Thierry Andretta as Chief Executive. He brings with him a wealth of luxury international experience which will be invaluable to help drive the future growth of the Group.

We would like to thank the entire Mulberry team for their continuing hard work and commitment to the brand.

By order of the Board.



Godfrey Davis
Chairman
10 June 2015

Directors, secretary and advisers

Year ended 31 March 2015

Directors:	Godfrey Pawle Davis FCA Thierry Patrick Andretta Roger Thomas Mather FCA Andrew Christopher (Chris) Roberts FCCA Steven Grapstein CPA Melissa Ong Christophe Olivier Cornu Julie Gilhart
Registered Office:	The Rookery Chilcompton Bath Somerset BA3 4EH
Company Secretary:	Kate Anthony Wilkinson LLB
Nominated Adviser:	Altium Capital Limited London
Nominated Broker:	Barclays Bank plc London
Registered Auditor:	Deloitte LLP Bristol
Solicitors:	Osborne Clarke Bristol
Principal Bankers:	HSBC Bank plc Bristol
Registrars:	Computershare Investor Services plc PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

Corporate governance

Year ended 31 March 2015

The Company is listed on the Alternative Investment Market and is not required to comply with the provisions set out in the UK Corporate Governance Code which was issued by the Financial Reporting Council ('the Code'). However, the Directors support the principles contained in these requirements and apply these where they consider they are appropriate to Mulberry Group plc.

THE BOARD OF DIRECTORS

At the start of the year the Board comprised two Executive Directors and five Non-Executive Directors. On 9 June 2014 Thierry Andretta was appointed to the Board as a Non-Executive Director and Julie Gilhart was appointed as a Non-Executive Director on 1 December 2014. Very sadly, Bernard Heng passed away on 12 September 2014. Therefore at the end of the year the Board comprised two Executive Directors and six Non-Executive Directors.

Subsequent to the year end on 7 April 2015 Thierry Andretta was appointed Chief Executive and Godfrey Davis resumed the role of Non-Executive Chairman. Further details regarding the Directors are set out in the Directors' report.

The Directors consider it important that the Board should include Non-Executive Directors who bring considerable knowledge and experience to the Board's deliberations. The Board meets formally on a bi-monthly basis and is responsible inter alia for overall Group strategy, investments and capital projects and for ensuring that an appropriate framework of internal control is in place throughout the Group.

The Executive Directors are each employed under a contract of employment which can be terminated with one year's notice. The Non-Executive Directors provide their services under twelve month agreements renewed annually on 1 April.

NOMINATIONS AND REMUNERATION COMMITTEE

Details of the composition and role of the Nominations and Remuneration Committee are provided in the separate Directors' remuneration report.

AUDIT COMMITTEE

The Audit Committee was chaired throughout the year by Steven Grapstein. The other members of the Committee were Chris Roberts and Christophe Cornu.

During the year all Directors have been encouraged to attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal control. The Committee may examine any matters relating to the financial affairs of the Group. This includes the review of the annual financial statements, the interim financial statements and other financial announcements, prior to their approval by the Board, together with accounting policies and compliance with accounting standards, and of internal control procedures and monthly financial reporting, and other related functions as the Committee may require. The Non-Executive Directors have access to the Group's auditor and legal advisers at any time without the Executive Directors being present.

INTERNAL FINANCIAL CONTROL

The Board has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness.

The Directors place considerable importance on maintaining full control and direction over appropriate strategic, financial, organisational and compliance issues, and have put in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are established procedures for planning and capital expenditure, for information and reporting systems and for monitoring the Group's business and its performance. Adherence to specified procedures is required at all times and the Board actively promotes a culture of quality and integrity. Compliance is monitored by the Directors.

Any system of internal financial control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. This includes comprehensive budgeting systems with an annual budget approved by the Board, monthly consideration of actual operational results compared with budgets, forecasts and regular reviews by the Board of year end forecasts. The Board reports to shareholders half-yearly.

The Group's control systems address key business and financial risks. Matters arising are reviewed on a regular basis. Performance indicators are reviewed at least monthly to assess progress towards objectives. Variances from approved plans are followed up vigorously.

Directors' remuneration report

Year ended 31 March 2015

Mulberry Group plc is listed on the Alternative Investment Market and therefore is not required to prepare a Directors' remuneration report. The following narrative disclosures are prepared on a voluntary basis and are not subject to audit.

At the year end, the Nominations and Remuneration Committee comprised:

- Chris Roberts (Chairman and Non-Executive Director);
- Steven Grapstein (Non-Executive Director);
- Melissa Ong (Non-Executive Director); and
- Thierry Andretta (Non-Executive Director).

Thierry Andretta was appointed to the Committee on 15 October 2014 and Bernard Heng was a member of the Committee until 12 September 2014.

Subsequent to the year end, following his appointment as Chief Executive, Thierry Andretta has resigned as a member of this Committee and Julie Gilhart has been appointed in his place.

The Committee is responsible for nominating Directors to the Board and then determining the remuneration and terms and conditions of employment of Directors and senior employees of the Group. During the year, the Committee used an Executive Search company to assist with recruitment.

The Committee meets at least once a year in order to consider and set the annual salaries for Executive Directors. Executive Directors' salaries are reviewed on 31 March each year, along with the remuneration of all other Group employees.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The Non-Executive Directors each receive a fee for their services, which is agreed by the Board taking into account the role to be undertaken. They do not receive any pension or other benefits from the Company apart from a small allowance of Mulberry products, nor do they participate in any of the equity or bonus schemes. As an exception, on becoming Non-Executive Chairman in June 2012, Godfrey Davis retained his vested and unvested options and share awards as they were granted to him whilst he was Chief Executive.

The Non-Executive Directors are appointed for a twelve month term.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Company's remuneration policy for Executive Directors considers a number of factors and is designed to:

- have regard to the Director's experience and the nature and complexity of their work in order to pay a competitive salary, consistent to comparable companies, that attracts and retains Directors of the highest quality;
- reflect the Director's personal performance;
- link individual remuneration packages to the Group's long term performance and continued success of the Group through the award of annual bonuses and share-based incentive schemes;
- provide post-retirement benefits through contributions to an individual's pension schemes; and
- provide employment-related benefits including the provision of a company car or cash alternative, life assurance, insurance relating to the Director's duties, housing allowance, medical insurance and permanent health insurance.

SALARIES, BONUSES AND OTHER INCENTIVE SCHEMES

Each Executive Director receives a base salary, the opportunity to earn an annual bonus and a long term incentive. Typically, the annual bonus will not exceed 100% of the annual salary. During 2012, the Nominations and Remuneration Committee reviewed the bonus and long term incentive schemes to ensure that they continue to align the interests of management and shareholders, reflect job responsibility, the level of individual performance against objectives, overall Group performance and are in line with the market. As a result, a Long Term Incentive Plan ('LTIP') was introduced during December 2012. The LTIP is designed to align management and shareholders' interests through rewarding participants for growth in Mulberry's revenue and earnings before interest and tax ('EBIT') above specified thresholds over the vesting period. The performance conditions are based 50% on revenue growth and 50% on EBIT growth, in comparison to targets set in the Group's most recent 5 Year Strategic Plan. The vesting period is typically three years from the date of grant, with a further five years post vesting in which to exercise. The Committee will supervise the scheme and make awards under its terms, ensuring that these are in line with market practice. This was planned to be the primary long term incentive scheme going forward but given the fall in profits and the difficulties in setting targets, a grant was made during the year under the 2008 Unapproved Share Option Scheme.

There are three earlier long term incentive arrangements which were superseded by the LTIP described above. These were as follows:

- An Unapproved Share Option Scheme which was introduced in April 2008. Options granted in this scheme typically vest after three years. For the grant made during December 2014 this has been reduced to 2.5 years because the grant was originally meant to take place six months earlier but was delayed whilst its quantum was discussed and agreed by the Nominations and Remuneration Committee.
- A Deferred Bonus Plan which represents a long term award scheme where participants receive all or part of their annual bonus in shares. These shares are held as deferred shares in the Mulberry Group Plc Employee Share Trust for a vesting period of two years. Matching shares are then granted and vest after a period of two years conditional upon the participant remaining an employee of the Group and the original deferred shares remaining in the Trust.
- A Co-ownership Equity Incentive Plan where participants are granted an interest in shares which are co-owned by the Mulberry Group Plc Employee Share Trust and participate in the value to the extent that the Mulberry share price exceeds 20% above the market price at the date of grant. The vesting period is generally three years, after which the employee has the right to sell the beneficial interest in the shares. This plan was established in August 2009.

Directors' remuneration report

(continued)

The following information is required by the Companies Act and is subject to audit.

	Basic salary/ fees £'000	Bonus £'000	Taxable benefits £'000	Pension contributions £'000	2015 Total £'000	2014 Total £'000
Executive Directors						
Thierry Andretta ⁽¹⁾	32	–	1	–	33	–
Roger Mather	291	45	25	40	401	349
Non-Executive Directors						
Godfrey Davis ⁽²⁾	100	100	1	–	201	132
Chris Roberts	50	–	2	–	52	50
Steven Grapstein	45	–	–	–	45	45
Melissa Ong	45	–	1	–	46	46
Christophe Cornu	45	–	–	–	45	42
Julie Gilhart ⁽³⁾	13	–	–	–	13	–
Previous Directors						
Bernard Heng ⁽⁴⁾	23	–	1	–	24	46
Bruno Guillon ⁽⁵⁾	–	–	–	–	–	1,541
Robin Gibson ⁽⁶⁾	–	–	–	–	–	8
Total	644	145	31	40	860	2,259

Notes:

- (1) Thierry Andretta was appointed as a Non-Executive Director on 9 June 2014 and Chief Executive on 7 April 2015. In February 2015, £200,000 of fees were paid to IN R.E Ltd, for consultancy services provided by Thierry Andretta (2014: nil).
- (2) Godfrey Davis who was Non-Executive Chairman was appointed as Executive Chairman on 19 March 2014 following the departure of the Chief Executive. He reverted to Non-Executive Chairman on 7 April 2015 following the appointment of the new Chief Executive, Thierry Andretta. There was no increase in contracted remuneration for this change in role but the Nominations and Remuneration Committee has decided that in recognition of his hard work and dedication a £100,000 bonus would be payable. Godfrey has waived his right to this bonus and has requested that it is paid to charity. This will be paid in June 2015.
- (3) Julie Gilhart was appointed on 1 December 2014.
- (4) Bernard Heng ceased being a Non-Executive Director on 12 September 2014.
- (5) Bruno Guillon resigned from the Board on 19 March 2014. Included within the salary information is £833,000 relating to compensation and payment in lieu of notice.
- (6) Robin Gibson resigned from the Board on 7 May 2013.

The emoluments disclosed do not include any amounts for the value of share options or share awards granted to or held by the Directors. These are detailed as follows:

(a) Options granted under the 2008 Unapproved Share Option Scheme

	31 March 2014	Granted	Exercised	31 March 2015	Exercise price (£)	Date of exercise	Market price on exercise (£)
Roger Mather	–	70,000	–	70,000	7.58	n/a	n/a

For the options granted on 11 December 2014, the market price on the date of grant was £7.58 and may be exercised at any time between 30 June 2017 and 11 December 2024.

Subsequent to the year end, on 10 April 2015 the Company granted 230,415 options under the 2008 Unapproved Share Option Scheme to Thierry Andretta, in his new role of Chief Executive. The exercise price is £8.68 and the options may be exercised at any time between 1 January 2018 and 10 April 2025.

(b) Matching shares granted under the Deferred Bonus Plan

	31 March 2014	Granted	Exercised	31 March 2015	Exercise price (£)	Date of exercise	Market price on exercise (£)
Roger Mather	3,253	–	–	3,253	Nil	n/a	n/a

(c) Jointly owned shares under the Co-ownership Equity Incentive Plan

	31 March 2014	Granted	Exercised	Forfeited	31 March 2015
Godfrey Davis		300,000	–	–	300,000
Roger Mather		50,000	–	–	50,000

The right to exercise the interest in these shares vested on 9 October 2012 and remains exercisable until 9 October 2019. The market price of these shares at the date of the award was £1.21½.

(d) Options granted under the Long Term Incentive Plan

	31 March 2014	Granted	Exercised	31 March 2015	Exercise price (£)
Roger Mather	51,690	–	–	51,690	Nil

The options are exercisable between 1 July 2015 and 1 July 2021. The options will vest based upon the performance of the Group during the years ending 31 March 2015 and 31 March 2016. 20% of the options will vest if minimum growth targets are met and then this increases on a straight-line pro rata basis until the maximum growth targets are met. 50% of the shares will vest if the revenue target is met and 50% if the EBIT target is met.

Share price information

The market price of Mulberry Group plc ordinary shares at 31 March 2015 was £8.54 (2014: £7.18) and the range during the year was £6.62 to £8.89 (2014: £6.37 to £11.25).

Directors' report

Year ended 31 March 2015

The Directors present their report on the affairs of the Group, together with the financial statements and independent auditor's report, for the year ended 31 March 2015.

RESULTS AND DIVIDENDS

The results for the year are set out in the Group income statement. The Directors are recommending the payment of a final dividend of 5.0p per ordinary share (2014: 5.0p) to be paid on 26 November 2015 to ordinary shareholders on the register on 30 October 2015.

GOING CONCERN

The Group's business activities, together with the factors likely to affect its future development, performance and financial position are given in the Strategic report. In addition, the notes to the Group financial statements include details on the Company's borrowing facilities and the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Group has sufficient financial resources together with a customer base split across different geographic areas and between directly-operated stores, partner stores and wholesale accounts. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the uncertain economic outlook.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements.

DIRECTORS AND THEIR INTERESTS

The Directors who served during the year and subsequently are detailed below.

Executive Directors

Thierry Andretta, 58, was appointed as Chief Executive on 7 April 2015, following his appointment to the Board as an independent Non-Executive Director on 9 June 2014. He has previously held a number of senior roles at brands including Lanvin, Moschino, the Gucci Group, LVMH Fashion Group and Céline and, until recently, was Chief Executive of Buccellati, the Italian high luxury jewellery brand. He is also a non-executive director of Buccellati Holdings Italia Spa, Buccellati Watches SA, Acne Studios Holding AB and SCI Thyap.

Roger Mather FCA, 50, is the Group Finance Director. He is a fellow of the Institute of Chartered Accountants in England and Wales having trained professionally with Price Waterhouse. He joined Mulberry during November 2007 after spending the previous ten years in senior finance and commercial roles within the multinational Otto Group based both in Hong Kong and the UK. He was appointed as a Director on 7 May 2008. He is also a director and trustee of Beaudesert Park School Trust Limited.

Non-Executive Directors

Godfrey Davis FCA, 66, is the Chairman. He was Executive Chairman from 19 March 2014, when Bruno Guillon resigned as Chief Executive, until 7 April 2015 when Thierry Andretta was appointed as Chief Executive when he then reverted to Non-Executive Chairman. Prior to this he had performed the role of Chairman since June 2012, and Chief Executive from 2002 to 2012. He is a fellow of the Institute of Chartered Accountants in England and Wales and joined Mulberry as Group Finance Director in 1987 after 15 years at Arthur Andersen, where he was an international partner. He is a director of Pittards plc, Princedale Development Limited, King's Schools Taunton Limited and Hestercombe Gardens Limited, and a trustee of Hestercombe Gardens Trust.

Andrew Christopher Roberts FCCA, 51, was appointed as Chairman of the Nominations and Remuneration Committee on 7 May 2013. He was appointed to the Board on 6 June 2002. He is a fellow of the Chartered Association of Certified Accountants. He is a director of Como Holdings (UK) Ltd which has retail, hotel and real estate operations in the UK, and was formerly Finance Director of an AIM listed financial services group. Como Holdings (UK) Ltd is a company ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

Steven Grapstein CPA, 57, was appointed as a Director on 17 November 2003 and was appointed as Chairman of the Audit Committee on 7 May 2013. He is currently the Chief Executive Officer of Como Holdings USA Inc., an international investment group with extensive interests in the retail and hotel industries. He also serves on the board of directors of Urban Edge, a US publicly listed company on the NY Stock Exchange and is the Chairman of the Governance Committee. He served as a member of the board of directors and as Chairman of the Board (2010-2015) of Tesoro Corporation, a US publicly held Fortune 100 company engaged in the oil and gas industry. He also served as Chief Executive Officer (1994-2005) and Chairman of Presidio International dba A/X Armani Exchange, a fashion retail company until its sale on 15 May 2014. Como Holdings USA Inc. is ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong.

Melissa Ong, 41, was appointed on 7 September 2010. She is also a director of Club 21 (Singapore) Pte Ltd, which is ultimately owned by Mr Ong Beng Seng and Mrs Christina Ong, and a director of Will Focus Ltd.

Christophe Cornu, 51, was appointed on 7 May 2013 and is an independent Director. He is Chief Commercial Officer for Nestle Nespresso SA, a specialist in high quality portioned premium coffee and is a director of Nespresso France SARL, Nespresso Italiana SPA and Nestle Nespresso Beijing Ltd. He also holds a board position at Kiabi SA.

Julie Gilhart, 57, was appointed on 1 December 2014 and is an independent Director. She is a fashion consultant whose clients include Amazon.com, LVMH and Kering and others. Previously Ms Gilhart was the Senior Vice President, Fashion Director at Barneys New York for ten years where she was involved in creative, design, marketing and business direction. She is a founder of Fashion Girls for Humanity, serves as a member of the Board of Governors at Parsons/ New School and is on the board of Kelly Slater's new company Outerknown LLC.

Previous Directors

Bernard Lam Kong Heng was appointed as a Non-Executive Director on 17 November 2003 and ceased being a Director on 12 September 2014.

Bruno Guillon joined the Group as Chief Executive on 1 March 2012 and was appointed to the Board on 25 April 2012. He resigned as a Director on 19 March 2014.

Robin Gibson was appointed on 1 May 1996 and retired as a Director on 7 May 2013.

Directors' beneficial interests in the shares of the Company at the year end were as follows:

	5p ordinary shares 2015	5p ordinary shares 2014
Godfrey Davis	718,527	718,527
Roger Mather	183,687	210,441
Steven Grapstein	10,000	10,000
Melissa Ong	10,000	10,000

The other Directors had no interests in the shares of the Company. Details of Directors' share options, share awards (including jointly owned shares issued under the Co-ownership Equity Incentive Plan) and other interests in shares are disclosed in the Directors' remuneration report.

SUBSTANTIAL SHAREHOLDINGS

At 10 June 2015 the Company had been notified of the following interests of 3% or more of the share capital of the Company, other than those of the Directors above:

- Challice Limited – 56.21%
- Banque Havilland SA – 24.31%
- Tybourne Capital Management (HK) Limited – 8.64%

Directors' report

(continued)

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations of £221,000 (2014: £44,000) during the year. The Group made no political donations in either year.

AUDITOR

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

By order of the Board.



Roger Mather

Director

10 June 2015

Directors' responsibilities statement

Year ended 31 March 2015

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the members of Mulberry Group plc

We have audited the financial statements of Mulberry Group plc for the year ended 31 March 2015 which comprise the Group income statement, the Group statement of comprehensive income, the Group and Parent Company balance sheets, the Group statement of changes in equity, the Group cash flow statement and the related notes 1 to 46. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 March 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of AIM Rule 19; and
- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where under the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Hedditch

David Hedditch (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol, United Kingdom
10 June 2015

Group income statement

Year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Revenue	5	148,680	163,456
Cost of sales		<u>(58,745)</u>	<u>(59,992)</u>
Gross profit		89,935	103,464
Other operating expenses		(85,932)	(86,806)
Exceptional operating expenses	7	<u>(2,662)</u>	<u>(3,388)</u>
Operating expenses	8	(88,594)	(90,194)
Other operating income	5	359	447
Operating profit		<u>1,700</u>	<u>13,717</u>
Share of results of associate	19	190	292
Finance income	11	17	35
Finance expense	12	(46)	(30)
Profit before tax		<u>1,861</u>	<u>14,014</u>
Tax	13	<u>(3,253)</u>	<u>(5,412)</u>
(Loss)/profit for the year	8	<u><u>(1,392)</u></u>	<u><u>8,602</u></u>
Attributable to:			
Equity holders of the parent		<u><u>(1,392)</u></u>	<u><u>8,602</u></u>
Basic (loss)/earnings per share	15	(2.3p)	14.5p
Diluted (loss)/earnings per share	15	(2.3p)	14.3p

All activities arise from continuing operations.

Reconciliation of adjusted profit before tax:			
		2015 £'000	2014 £'000
Profit before tax		1,861	14,014
Exceptional items:			
Impairment relating to retail assets	7	2,662	2,740
Net non-recurring Director costs	7	-	648
Adjusted profit before tax – non-GAAP measure		<u><u>4,523</u></u>	<u><u>17,402</u></u>
Adjusted earnings per share – non-GAAP measure			
Adjusted basic earnings per share	15	2.1p	19.8p
Adjusted diluted earnings per share	15	2.1p	19.6p

Group statement of comprehensive income

Year ended 31 March 2015

	2015 £'000	2014 £'000
(Loss)/profit for the year	(1,392)	8,602
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(1,084)	(981)
Tax impact arising on above exchange differences	(137)	545
Total comprehensive income for the year	<u>(2,613)</u>	<u>8,166</u>
Attributable to:		
Equity holders of the parent	<u>(2,613)</u>	<u>8,166</u>

Group balance sheet


At 31 March 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	16	12,713	7,323
Property, plant and equipment	17	33,289	35,139
Interests in associates	19	93	64
Deferred tax asset	23	1,260	770
		47,355	43,296
Current assets			
Inventories	20	39,379	33,780
Trade and other receivables	21	13,260	13,574
Cash and cash equivalents	21	9,900	23,414
		62,539	70,768
Total assets		109,894	114,064
Current liabilities			
Trade and other payables	24	(28,733)	(29,423)
Current tax liabilities		(2,472)	(683)
Total liabilities		(31,205)	(30,106)
Net assets		78,689	83,958
Equity			
Share capital	25	3,000	3,000
Share premium account		11,961	11,961
Own share reserve	26	(1,601)	(1,676)
Capital redemption reserve		154	154
Special reserve		1,467	1,467
Foreign exchange reserve		(1,433)	(212)
Retained earnings		65,141	69,264
Total equity		78,689	83,958

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 10 June 2015.

They were signed on its behalf by:


Godfrey Davis
Director


Roger Mather
Director

Group statement of changes in equity

Year ended 31 March 2015

	Share capital £'000	Share premium account £'000	Own share reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2013	2,992	11,835	(2,937)	154	1,467	224	64,974	78,709
Total comprehensive (expense)/income for the year	-	-	-	-	-	(436)	8,602	8,166
Charge for employee share-based payments	-	-	-	-	-	-	81	81
Exercise of share options	8	126	-	-	-	-	(1,461)	(1,327)
Own shares	-	-	1,261	-	-	-	-	1,261
Ordinary dividends paid	-	-	-	-	-	-	(2,932)	(2,932)
Balance at 31 March 2014	3,000	11,961	(1,676)	154	1,467	(212)	69,264	83,958
Total comprehensive expense for the year	-	-	-	-	-	(1,221)	(1,392)	(2,613)
Charge for employee share-based payments	-	-	-	-	-	-	136	136
Exercise of share options	-	-	-	-	-	-	99	99
Own shares	-	-	75	-	-	-	-	75
Ordinary dividends paid	-	-	-	-	-	-	(2,966)	(2,966)
Balance at 31 March 2015	3,000	11,961	(1,601)	154	1,467	(1,433)	65,141	78,689

* The special reserve was created as part of a capital restructuring of the Group in 2004.

Group cash flow statement

Year ended 31 March 2015

	2015 £'000	2014 £'000
Operating profit for the year	1,700	13,717
Adjustments for:		
Depreciation and impairment of property, plant and equipment	10,300	9,870
Amortisation of intangible assets	2,028	1,428
Loss/(profit) on disposal of property, plant and equipment	8	(13)
Effects of foreign exchange	204	(40)
Share-based payments charge	155	127
Operating cash flows before movements in working capital	14,395	25,089
(Increase)/decrease in inventories	(5,595)	1,931
Decrease in receivables	106	558
Increase/(decrease) in payables	838	(377)
Cash generated from operations	9,744	27,201
Corporation taxes paid	(2,103)	(7,749)
Interest paid	(46)	(30)
Net cash inflow from operating activities	7,595	19,422
Investing activities:		
Interest received	17	35
Dividend received from associate	-	441
Purchases of property, plant and equipment	(10,057)	(13,199)
Proceeds from disposal of property, plant and equipment	157	44
Acquisition of intangible fixed assets	(8,130)	(3,023)
Net cash used in investing activities	(18,013)	(15,702)
Financing activities:		
Dividends paid	(2,966)	(2,932)
Settlement of share awards	(130)	(493)
Disposal of own shares	-	1,261
Net cash used in financing activities	(3,096)	(2,164)
Net (decrease)/increase in cash and cash equivalents	(13,514)	1,556
Cash and cash equivalents at beginning of year	23,414	21,858
Cash and cash equivalents at end of year	9,900	23,414

Notes to the Group financial statements

Year ended 31 March 2015

1. GENERAL INFORMATION

Mulberry Group plc is a company incorporated in England and Wales. The address of the registered office is given on page 9. The nature of the Group's operations and its principal activities are set out in note 6 and in the Strategic report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. ADOPTION OF NEW AND REVISED STANDARDS

During the current year the following new and revised Standards and Interpretations have been adopted but have not had an impact on the Group:

- IFRS 10: Consolidated Financial Statements; and
- IFRS 12: Disclosure of Interests in Other Entities.

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective and in some cases had not yet been adopted by the EU:

- IFRS 9: Financial Instruments;
- IFRS 15: Revenue from Contracts with Customers; and
- Amendments to IAS 16: Property, Plant and Equipment and IAS 38: Intangible assets.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these Standards until a detailed review has been completed.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with IFRSs adopted by the European Union.

For the year ended 31 March 2015, the financial year runs for the 52 weeks to 28 March 2015 (2014: 52 weeks ended 29 March 2014).

The financial statements are prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Directors' report.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of in any year are included in the Group income statement from the date of acquisition or up to the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Group financial statements

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and any recognised impairment loss. Amortisation is charged to the income statement on a straight-line basis over the estimated useful life of the asset. Assets in the course of construction are carried at cost less any recognised impairment loss.

Lease costs comprise the lease premium and related costs associated with the Group's two Paris stores. Prior to its disposal the intangible asset relating to the historic store at 207 Rue Saint-Honoré in Paris was being amortised over the effective lease term of 27 years. The cost relating to the new store at 275 Rue Saint-Honoré is not being amortised but is subject to annual impairment review.

Computer software that is integral to a related item of hardware is included as property, plant and equipment. All other computer software is recorded as an intangible asset and is amortised over the estimated useful life of the asset (typically four to five years).

Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and any recognised impairment loss. Assets in the course of construction are carried at cost less any recognised impairment loss. Cost includes professional fees incurred directly in relation to construction of assets.

Depreciation is charged so as to write off the cost or valuation of assets less their residual value over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	4% to 5%
Short leasehold land and buildings	over the term of the lease
Fixtures, fittings and equipment	10% to 33%
Plant and equipment	14% to 25%
Motor vehicles	25%

Freehold land and assets under the course of construction are not depreciated. Depreciation on assets commences when the assets are ready for intended use.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets

The Group reviews the carrying amounts of its tangible and intangible assets annually (or more frequently if there are indications that assets might be impaired), to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax or post-tax discount rate (as applicable based on the tax status of the entity) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through the participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour costs and those overheads incurred in bringing the inventories to their current location and condition. Cost is calculated using the standard cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Group financial statements

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Contingent lease rentals arising under operating leases are recognised as an expense in the period in which they are incurred. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and where it is probable that an outflow will be required to settle the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the proportion of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, performance conditions, exercise restrictions and behavioural considerations.

Retirement benefit costs

Payments to employees' personal pension plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Revenue recognition

Revenue represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes and intra-group transactions. Sales of goods are recognised at the point of sale, or for the wholesale and online businesses, when title has passed. Sales of gift vouchers are recognised on presentation of the voucher for payment of goods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement and is disclosed as other operating income.

Operating profit

Operating profit is stated before the share of results of associates, finance income and finance expense.

Grant income

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. The grant income is recognised as income over the periods necessary to match with the related costs and is deducted in reporting the related expense.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the Group financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purposes of presenting the Group financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at their amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Notes to the Group financial statements

(continued)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the asset to another entity.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the fair value of the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis against profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest-bearing and are stated at their amortised cost.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Acquisition of KJ Saint Honoré SA

Note 16 describes that the Group acquired a company in France during the year in order to have the lease to a new flagship store in Paris. As the business is not seen to have the inputs, processes and outputs necessary for it to be treated as a business combination, the transaction has been accounted for as an asset acquisition resulting in the recognition of an intangible asset reflecting the inherent value in the lease.

Share-based payments – accounting as equity-settled

The Group accounts for its share schemes as equity-settled but during the year, the majority of exercises were settled in cash and therefore the Directors have needed to consider whether these should now be accounted for as cash-settled options. This was at the Directors' discretion and was due to the very small number of exercises, the fact that the Group had sufficient cash at the time and this was administratively easier. In making their judgement the Directors are satisfied that the Group has no constructive obligation to settle in cash and as such the schemes can continue to be accounted for as equity-settled.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Non-recognition of deferred tax assets

The Group's effective tax is significantly higher than the current rate of tax in the UK due to the losses incurred by the overseas subsidiaries and the non-recognition of related deferred tax assets. As the future profitability of these entities is not known with certainty, the Directors do not feel it is appropriate to recognise the deferred tax assets.

Contingent liability

As disclosed in note 28, the Group consider the US subsidiary to be dual resident for tax purposes and as such have offset the losses against the UK taxable profits. This is being challenged by the HMRC but the Directors have assessed the risk of repayment as possible but not probable and have therefore disclosed this as a contingent liability.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of property, plant and equipment

Property, plant and equipment are reviewed annually for impairment or if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined based on value in use or net realisable value calculations and is prepared on the basis of management's assumptions and estimates. These include assumptions on future growth rates, inflation, cost of capital and appropriate risk weightings. During the current year this has resulted in an impairment of retail assets of £2,662,000 (2014: £2,740,000).

Recoverability of intangible assets

The carrying value of lease premiums and related costs for stores are reassessed each year based on the ongoing performance of the store and the realisable value of the lease. During the year the Group acquired the rights to a lease at 275 Rue Saint-Honoré. Given the significant value, the Directors have sought an independent assessment of the realisable value at the year end and this supported that the asset was not impaired. The rights to the lease at 207 Rue Saint-Honoré have been sold post year end for greater than its net book value and therefore this supports the carrying value at year end.

Inventory provisions

The Group designs, produces and sells luxury goods and as such is at risk that the net realisable value of stock will be less than the carrying value. Provisions for raw materials are calculated based upon expected future usage and for finished goods upon the saleability of finished goods and age and condition of the items. The provision at the year end was £3,085,000 (2014: £2,324,000).

Share-based payments – Long Term Incentive Plan

The fair value is determined at grant date and expensed over the vesting period based on the estimate of the proportion of the shares which will vest. The Long Term Incentive Plan includes non market-based performance conditions, including achieving targets for the Group's future revenue and EBIT. The probability of whether these performance targets will be met based on the latest Group forecasts is re-assessed on a six monthly basis. At the year end it was assumed that none of these targets would be met and therefore the shares will not vest.

Notes to the Group financial statements

(continued)

5. REVENUE

	2015	2014
	£'000	£'000
Sale of goods	148,680	163,456
Royalty income	165	179
Other income	194	268
Finance income	17	35
Total revenue	149,056	163,938

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, defined as the Chief Executive, to allocate resources to the segments and to assess their performance.

(A) Business segments

For management purposes, the Group is currently organised into two operating divisions – the Retail business and the Design business. These divisions are the basis upon which the Group reports its primary segment information. The principal activities are as follows:

Retail – sale of Mulberry branded fashion accessories, clothing and footwear through a number of shops and department store concessions.

Design – brand management, marketing, product design, manufacture, sourcing and wholesale distribution for the Mulberry brand.

Inter-segment sales for both years are charged at market prices in line with our third party wholesale customers.

Segment information about these businesses is presented below.

	Design	Retail	Eliminations	Group
	2015	2015	2015	2015
	£'000	£'000	£'000	£'000
Revenue				
External sales	38,800	109,880	–	148,680
Inter-segment sales	50,951	–	(50,951)	–
Total revenue	89,751	109,880	(50,951)	148,680
Segment result	11,218	(9,041)	–	2,177
Central administration costs				(477)
Share of results of associate				190
Net finance income				(29)
Profit before tax				1,861

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Included within the Retail segment depreciation and amortisation is £2,662,000 (2014: £2,740,000) relating to impairment.

	Design 2014 £'000	Retail 2014 £'000	Eliminations 2014 £'000	Group 2014 £'000
Revenue				
External sales	54,384	109,072	–	163,456
Inter-segment sales	54,415	–	(54,415)	–
Total revenue	<u>108,799</u>	<u>109,072</u>	<u>(54,415)</u>	<u>163,456</u>
Segment result	<u>23,068</u>	<u>(7,972)</u>	<u>–</u>	<u>15,096</u>
Central administration costs				(1,379)
Share of results of associate				292
Net finance income				5
Profit before tax				<u>14,014</u>

	Design 2015 £'000	Retail 2015 £'000	Total 2015 £'000	Design 2014 £'000	Retail 2014 £'000	Total 2014 £'000
Other information						
Additions to non-current assets	<u>1,596</u>	<u>15,205</u>	<u>16,801</u>	<u>7,601</u>	<u>7,941</u>	<u>15,542</u>
Depreciation and amortisation	<u>2,898</u>	<u>7,977</u>	<u>10,875</u>	<u>2,221</u>	<u>7,632</u>	<u>9,853</u>

In addition, £127,000 (2014: £42,000) of capital expenditure and £1,453,000 (2014: £1,445,000) of depreciation was incurred by the Parent Company which is not included in the segments above.

	Design 2015 £'000	Retail 2015 £'000	Total 2015 £'000	Design 2014 £'000	Retail 2014 £'000	Total 2014 £'000
Balance sheet						
Segment assets	<u>28,152</u>	<u>73,310</u>	<u>101,462</u>	<u>38,987</u>	<u>65,616</u>	<u>104,603</u>
Interests in associates			93			64
Unallocated corporate assets			8,339			9,397
Consolidated assets			<u>109,894</u>			<u>114,064</u>
Segment liabilities	<u>17,140</u>	<u>9,888</u>	<u>27,028</u>	<u>18,084</u>	<u>8,967</u>	<u>27,051</u>
Unallocated corporate liabilities			4,177			3,055
Consolidated liabilities			<u>31,205</u>			<u>30,106</u>

Notes to the Group financial statements

(continued)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(B) Geographical segments

The following table provides an analysis of the Group's sales and non-current assets by geographical market, irrespective of the origin of the goods:

	Sales revenue by geographical market		Non-current assets by geographical market	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
UK	102,198	106,520	26,557	30,088
Rest of Europe	22,758	27,579	12,977	6,588
Asia	11,358	18,643	–	–
North America	11,447	9,425	7,821	6,620
Rest of world	919	1,289	–	–
	<u>148,680</u>	<u>163,456</u>	<u>47,355</u>	<u>43,296</u>

7. EXCEPTIONAL OPERATING EXPENSES

The exceptional operating expense for the year represents an impairment charge of £2,662,000 relating to the retail assets of five international stores. These stores are relatively new and trading at a loss. They are in developing markets which will benefit from the new creative direction of the Group and in which the omni-channel strategy has not yet been rolled-out. In view of the uncertainty over future trading, provision has been made (see note 17).

The exceptional operating expenses for the prior year included:

- An impairment charge of £2,740,000 relating to the retail assets of two international stores. Neither location traded in line with their expected potential (see note 17); and
- Net non-recurring Director costs associated with the settlement agreed with Bruno Guillon following his resignation from the Company. This included £833,000 for compensation and payment in lieu of notice, £107,000 relating to social security costs and a credit of £292,000 from the forfeiture of his share scheme awards.

8. (LOSS)/PROFIT FOR THE YEAR

	2015 £'000	2014 £'000
(Loss)/profit for the year has been arrived at after charging/(crediting):		
Net foreign exchange loss	166	490
Depreciation of property, plant and equipment	7,638	7,130
Impairment of property, plant and equipment	2,662	2,740
Amortisation of intangible assets	2,028	1,428
Government grants	–	(1,838)
Write-downs of inventories recognised as an expense	1,616	1,163
Cost of inventories recognised as an expense	59,365	57,209
Staff costs	39,694	34,111
Impairment of trade receivables	177	101
Loss/(profit) on disposal of property, plant and equipment	8	(13)

Staff costs in 2014 included exceptional costs of £648,000 (see note 7).

9. AUDITOR REMUNERATION

	2015 £'000	2014 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	28	22
The audit of the Company's subsidiaries	43	42
Total audit fees	<u>71</u>	<u>64</u>
	£'000	£'000
Other taxation advisory services	23	48
Audit related assurance services	–	4
Other services	3	4
Total non-audit fees	<u>26</u>	<u>56</u>

Tax services in both years include advice in relation to international structuring and Company share schemes. The audit related assurance services in the prior year relate to the review of grant claims submitted to the Regional Growth Fund.

10. STAFF COSTS

The average monthly number of employees (including Executive Directors and those on a part-time basis) was:

	2015 Number	2014 Number
Production	701	565
Sales and distribution	563	543
Administration	210	219
	<u>1,474</u>	<u>1,327</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	34,711	29,870
Social security costs	4,016	3,363
Other pension costs (see note 30)	812	751
Share-based payments (see note 29)	155	127
	<u>39,694</u>	<u>34,111</u>

The cost in the prior year includes exceptional costs of £648,000 (see note 7).

Details of Directors' remuneration and interests are provided in the audited section of the Directors' remuneration report and should be regarded as part of these financial statements.

11. FINANCE INCOME

	2015 £'000	2014 £'000
Interest income on cash balances	<u>17</u>	<u>35</u>

Notes to the Group financial statements

(continued)

12. FINANCE EXPENSE

	2015 £'000	2014 £'000
Interest on bank overdraft	24	30
Interest on bank loans	22	–
	46	30
	46	30

13. TAX

	2015 £'000	2014 £'000
Current tax	3,748	6,088
Adjustment to prior year corporation tax	(5)	(107)
Deferred tax (note 23)	(520)	(647)
Adjustment to prior year deferred tax (note 23)	30	78
	3,253	5,412
	3,253	5,412

The charge for the year can be reconciled to the profit per the Group income statement as follows:

	2015 £'000	2014 £'000
Profit before tax	1,861	14,014
Tax at the UK corporation tax rate of 21% (2014: 23%)	391	3,223
Tax effect of items that are not deductible in determining taxable profit	(161)	28
Tax effect of expenses not deductible for tax purposes	466	652
Overseas losses not utilised or carried forward – normal trading losses	2,052	1,538
Overseas losses not utilised or carried forward – fixed assets impairment	465	–
Effect of change in corporation tax rate	15	–
Prior year adjustments	25	(29)
Tax expense for the year	3,253	5,412
	3,253	5,412

Current tax of £137,000 has been recognised directly in equity in relation to foreign currency movements (2014: £545,000).

The Finance Act 2013 which was enacted on 17 July 2013 reduced the main rate of corporation tax from 21% to 20% from 1 April 2015. Therefore 20% has been used to calculate the position on deferred tax at 31 March 2015 (2014: 20.5%). The Directors are not aware of any other factors that will materially affect the future tax charge.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through the future taxable profits is probable. In 2015 the Group did not recognise deferred tax assets of £5,950,000 (2014: £2,553,000) in respect of losses that can be set off against future taxable income. The time limit for the recovery of these potential assets ranges from 4 to 20 years (2014: 5 to 20 years).

14. DIVIDENDS

The dividends approved and paid during the year are as follows:

	2015 £'000	2014 £'000
Dividend for the year ended 31 March 2014 of 5p (2013: 5p) per share paid in September 2014	2,966	2,932
Proposed dividend for the year ended 31 March 2015 of 5p per share (2014: 5p)	2,966	3,000

This proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

15. EARNINGS PER SHARE ('EPS')

	2015 pence	2014 pence
Basic (loss)/earnings per share	(2.3)	14.5
Diluted (loss)/earnings per share	(2.3)	14.3
Adjusted basic earnings per share	2.1	19.8
Adjusted diluted earnings per share	2.1	19.6

Earnings per share is calculated based on the following data:

	2015 £'000	2014 £'000
(Loss)/profit for the year for basic and diluted earnings per share	(1,392)	8,602
Adjustments to exclude exceptional items:		
Impairment relating to retail assets	2,662	2,740
Net non-recurring Director costs	-	648
Corporation tax impact of above	-	(216)
Adjusted profit for the year for basic and diluted earnings per share	1,270	11,774

	2015 million	2014 million
Weighted average number of ordinary shares for the purpose of basic EPS	59.3	59.4
Effect of dilutive potential ordinary shares: share options	0.6	0.8
Weighted average number of ordinary shares for the purpose of diluted EPS	59.9	60.2

The weighted average number of ordinary shares in issue during the year excludes those held by the Mulberry Group Plc Employee Share Trust.

Notes to the Group financial statements

(continued)

16. INTANGIBLE ASSETS

	Software £'000	Lease costs £'000	Total £'000
Cost			
At 1 April 2013	6,608	1,891	8,499
Additions	3,023	–	3,023
Disposals	(252)	–	(252)
Foreign currency translation	–	(16)	(16)
At 1 April 2014	<u>9,379</u>	<u>1,875</u>	<u>11,254</u>
Additions	817	7,490	8,307
Foreign currency translation	–	(964)	(964)
At 31 March 2015	<u>10,196</u>	<u>8,401</u>	<u>18,597</u>
Amortisation			
At 1 April 2013	2,317	442	2,759
Charge for the year	1,358	70	1,428
Disposals	(252)	–	(252)
Foreign currency translation	–	(4)	(4)
At 1 April 2014	<u>3,423</u>	<u>508</u>	<u>3,931</u>
Charge for the year	1,963	65	2,028
Foreign currency translation	–	(75)	(75)
At 31 March 2015	<u>5,386</u>	<u>498</u>	<u>5,884</u>
Carrying amount			
At 31 March 2015	<u>4,810</u>	<u>7,903</u>	<u>12,713</u>
At 31 March 2014	<u>5,956</u>	<u>1,367</u>	<u>7,323</u>
At 31 March 2013	<u>4,291</u>	<u>1,449</u>	<u>5,740</u>

On 20 June 2014, the Group completed an agreement entered into on 19 November 2013, to purchase all of the shares of KJ Saint Honoré SA, a company registered in France. This Company owns the rights to a lease for a store on Rue Saint-Honoré, Paris, where a flagship store opened in April 2015. The net cash paid was £7,325,000. As the business is not seen to have the inputs, processes and outputs necessary for it to be treated as a business combination, the transaction has been accounted for as an asset acquisition resulting in the recognition of an intangible asset reflecting the inherent value in the lease. This will be carried forward in the balance sheet and subject to annual impairment review.

Subsequent to the year end the Group sold its rights to the lease for 207 Rue Saint-Honoré for £1,500,000.

At 31 March 2015, the Group had entered into contractual commitments for the acquisition of software of £17,000 (2014: £50,000). Included within software is £nil of projects still in development and where depreciation will not commence until the projects are complete and the assets come into use (2014: £1,426,000).

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and equipment £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2013	9,816	17,425	4,902	15,227	139	47,509
Additions	1,953	2,040	2,963	5,605	–	12,561
Disposals	–	(71)	(76)	(118)	(49)	(314)
Foreign currency translation	–	(703)	(41)	(464)	–	(1,208)
At 1 April 2014	11,769	18,691	7,748	20,250	90	58,548
Additions	37	2,015	803	5,808	–	8,663
Disposals	(18)	(98)	(242)	(394)	(38)	(790)
Foreign currency translation	–	763	54	(531)	–	286
At 31 March 2015	11,788	21,371	8,363	25,133	52	66,707
Accumulated depreciation						
At 1 April 2013	1,818	3,745	2,648	5,742	62	14,015
Charge for the year	386	2,414	1,096	3,211	23	7,130
Impairment charge	–	2,188	–	552	–	2,740
Disposals	–	–	(76)	(48)	(18)	(142)
Foreign currency translation	–	(201)	(15)	(118)	–	(334)
At 1 April 2014	2,204	8,146	3,653	9,339	67	23,409
Charge for the year	423	2,172	3,387	1,644	12	7,638
Impairment charge	–	847	17	1,798	–	2,662
Disposals	–	(1)	(234)	(357)	(33)	(625)
Foreign currency translation	–	490	218	(374)	–	334
At 31 March 2015	2,627	11,654	7,041	12,050	46	33,418
Carrying amount						
At 31 March 2015	9,161	9,717	1,322	13,083	6	33,289
At 31 March 2014	9,565	10,545	4,095	10,911	23	35,139
At 31 March 2013	7,998	13,680	2,254	9,485	77	33,494

Included within the table above are the following assets under the course of construction which are not being depreciated:

At 31 March 2015	–	398	–	1,051	–	1,449
At 31 March 2014	–	1,001	–	390	–	1,391

The Group has the following contractual commitments:

At 31 March 2015	–	–	70	–	–	70
At 31 March 2014	–	1,677	–	1,186	–	2,863

Notes to the Group financial statements

(continued)

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land of £2,029,000 (2014: £2,029,000) has not been depreciated.

The Group tests property, plant and equipment annually for impairment, or more frequently if there are indications that assets might be impaired.

During the year, an impairment charge of £2,662,000 (2014: £2,740,000) was identified as part of the Directors' impairment review of the retail store assets. The stores are those in Washington DC, Berlin, Frankfurt Airport, Zurich and Vienna. In the prior year the stores were Spring Street (New York) and Short Hills (New Jersey). The total recoverable amount for these stores at the balance sheet date is considered to be £nil.

Where indicators of impairment are identified, the recoverable amounts of the cash-generating units ('CGU') are determined from value in use calculations and are compared to the assets' carrying values at 31 March 2015.

The key assumptions for the value in use calculations are those regarding the discount rates, sales growth rates and expected changes to selling prices and direct costs during the period covered by the projections. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Post-tax rates are used where the local entity is not expected to be tax paying and pre-tax where tax is predicted in the period being reviewed. The cash flow projections were based on the most recent financial budgets approved by the Board for the next twelve months and models cash flows for the following nine years based on an estimated growth rate of between 2% and 26% over the period. The growth rates are based on past experience and expectations of future changes in the market. After five years this rate reduces to 2%, being the approximate average long term growth rate for the relevant markets.

The post-tax discount rate used in these calculations was 10.2% (2014: 12.5%) and a pre-tax discount rate of between 13.4% and 14.8%. This is based on the Group's weighted average cost of capital adjusted for country specific tax rates and risks. The Group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A reduction in the forecast revenue of between 10% and 20% would cause additional impairment of store assets.

18. SUBSIDIARIES

A list of the significant investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 37 to the Company's separate financial statements.

19. INTERESTS IN ASSOCIATES

	2015 £'000	2014 £'000
Total assets	1,172	2,205
Total liabilities	(828)	(1,797)
Total net assets	344	408
Total revenue	2,595	2,986
Profit for the year	417	583
Group's share of profit of associate	190	292

A list of the significant investments in associates, including the name, country of incorporation and proportion of ownership interest is given in note 37 to the Company's separate financial statements.

20. INVENTORIES

	2015 £'000	2014 £'000
Raw materials	3,421	4,025
Work-in-progress	825	724
Finished goods	35,133	29,031
	<u>39,379</u>	<u>33,780</u>

21. OTHER FINANCIAL ASSETS

Trade and other receivables	2015 £'000	2014 £'000
Amount receivable for the sale of goods	7,574	7,153
Allowance for doubtful debts	(412)	(480)
	<u>7,162</u>	<u>6,673</u>
Amounts owed by associate undertakings	92	111
Other debtors	2,227	2,780
Prepayments and accrued income	3,779	4,010
	<u>13,260</u>	<u>13,574</u>

Trade receivables

The average credit period taken on the sale of goods is 41 days (2014: 50 days). No interest is charged on the outstanding receivables. The carrying amount of receivables approximates to their fair value.

The Group has provided for the estimated irrecoverable amount from the sale of goods, where there is doubt as to the recoverability of the receivables balance. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines individual credit limits by customer.

The Group's receivables comprise primarily department stores, franchisee partners and associates, and wholesale customers. Those customers who represented more than 10% of the total balance of trade receivables at the year end were:

- House of Fraser (Stores) Limited with retail revenue in the UK of £11,729,000 (2014: £11,386,000); and
- SHK Holdings (franchisee partner in Korea) with total revenue of £4,211,000 (2014: £4,495,000).

Included in the Group's trade receivables balance are debtors with a carrying amount of £1,316,000 (2014: £821,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables:

	2015 £'000	2014 £'000
0 to 30 days overdue	837	773
31 to 60 days overdue	479	48
	<u>1,316</u>	<u>821</u>

Given the relatively small nature of the provision for receivables, no further analysis is provided.

Notes to the Group financial statements

(continued)

21. OTHER FINANCIAL ASSETS (continued)

Cash and cash equivalents	2015 £'000	2014 £'000
Cash and cash equivalents	9,900	23,414

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

22. BORROWINGS

The Group's borrowing facilities comprise bank overdrafts which would be repayable on demand. The multicurrency overdraft facilities of £4,000,000 (2014: £4,000,000) have been secured by a charge over the Group's assets. The interest rates are determined based on 1% over the bank base rate. In addition, the Group has available trade facilities of £2,000,000 (2014: £2,000,000).

No borrowings were outstanding at the year end (2014: £nil). During June 2014, the Group arranged a £7,500,000 revolving credit facility to provide additional headroom. This facility will be in place for a period of two years from the date of the first drawdown. £5,000,000 of the facility was first drawn down in October 2014 and repaid in January 2015. The interest rates are determined based on 1.25% over the bank base rate when drawn down and 0.44% when unutilised.

23. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting periods.

	Accelerated tax depreciation £'000	Short term timing differences £'000	Total £'000
At 1 April 2013	17	(218)	(201)
Credit to income	(503)	(66)	(569)
At 1 April 2014	(486)	(284)	(770)
Credit to income	(158)	(332)	(490)
Net deferred tax asset as at 31 March 2015	(644)	(616)	(1,260)

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2015 £'000	2014 £'000
Deferred tax liability	-	-
Deferred tax asset	(1,260)	(770)
	(1,260)	(770)

24. OTHER FINANCIAL LIABILITIES

Trade and other payables	2015 £'000	2014 £'000
Trade payables	11,756	9,239
Accruals and deferred income	16,349	15,517
Other payables	628	4,667
	<u>28,733</u>	<u>29,423</u>

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 18 days (2014: 10 days). For most suppliers, no interest is charged on the trade payables for the first 60 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

25. SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2014: 65,000,000)	<u>3,250</u>	<u>3,250</u>
Issued and fully paid		
59,997,458 ordinary shares of 5p each (2014: 59,997,458)	<u>3,000</u>	<u>3,000</u>

There were no shares issued during the year.

The Company has granted 304,400 options in respect of 5p ordinary shares during the year (2014: 171,500).

26. RESERVES

The own share reserve represents 701,031 5p ordinary shares (2014: 733,814) at a cost of £1,601,028 (2014: £1,675,900). The shares have been purchased in the market or issued as new shares by the Company, and are held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan.

During the year, the reserve reduced as a result of the transfer of 32,783 shares with a value of £74,872 (2014: 552,429 shares with a value of £1,261,648) to satisfy the vesting of share awards.

Notes to the Group financial statements

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27. OPERATING LEASE ARRANGEMENTS

	2015	2014
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	14,287	12,257

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2015	2014
	£'000	£'000
Within one year	15,649	14,208
In the second to fifth years inclusive	44,368	45,149
After five years	54,615	47,215
	114,632	106,572

Operating lease payments represent rentals payable by the Group for certain of its retail stores, warehouses and offices. The leases are for a varied length of time with the longest lease running until 2035. Leases are typically subject to rent reviews at specified intervals and some payments are contingent upon levels of revenue above minimum thresholds. The amount paid under this contingent element in the year was £706,000 (2014: £1,563,000).

28. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third-party lessors. No amounts were outstanding at the year end in respect of such guarantees (2014: £nil).

The Group is currently in discussion with the UK tax authorities regarding the residency of its US subsidiary for tax purposes. Following the acquisition of the retail store business during 2009, Mulberry Company (USA) Inc has been treated as dual resident and taxes paid in the UK when the company made profits and any losses used to offset the UK taxable profits. In arriving at the overall Group tax charge, the US tax losses have been group relieved reducing the tax paid in the UK by a total of £5,000,000 (£1,600,000 in the current year and £3,400,000 in prior years). The Directors are satisfied that the business is operated and controlled in the UK and therefore meets the relevant UK Central Management and Control test and can offset the losses. Should the HMRC successfully challenge the Group's position, additional tax and interest will need to be paid.

In the year to 31 March 2014 the Group received £1,838,000 (£2,500,000 in total) of Government grants towards the operating costs of a new factory in Bridgwater, Somerset. The Group has to fulfil certain requirements through to June 2020, which if not met some or all of the grant will need to be repaid. The Group is currently in compliance with these requirements and does not envisage that this situation will change and therefore there are no outstanding liabilities at the year end (2014: £nil).

29. SHARE-BASED PAYMENTS

The Group operated the following schemes during the year.

Mulberry Group plc 2008 Unapproved Share Option Scheme

The scheme was established on 14 April 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The exercise price is equal to the market value of the shares on the date of grant. The vesting period is generally three years. If the options remain unexercised for a period of ten years from the date of grant, they expire. Options may be forfeited if the employee leaves the Group.

Details of the share options movements during the year are as follows:

	2015		2014	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at the beginning of the year	100,000	8.87	210,000	4.98
Granted during the year	304,400	7.58	–	–
Forfeited during the year	(17,000)	10.21	–	12.05
Exercised during the year	(10,000)	1.45	(110,000)	1.45
Outstanding at the end of the year	<u>377,400</u>	7.97	<u>100,000</u>	8.87
Exercisable at the end of the year	<u>80,000</u>	9.40	<u>100,000</u>	8.87

The weighted average share price at the date of exercise for share options exercised during the year was £7.76 (2014: £9.53). The options outstanding at 31 March 2015 had a weighted average remaining contractual life of 2.3 years (2014: nil years).

The inputs into the Black–Scholes model are as follows:

	2015	2014
Share price	£7.58	£12.05
Exercise price	£7.58	£12.05
Expected volatility	37.8%	50.21%
Expected life	2.75 years	3.25 years
Risk-free rate	0.76%	1.88%
Expected dividend yields	0.58%	0.3%

Expected volatility was based on historical volatility over the expected life of the scheme. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to the Group financial statements

(continued)

29. SHARE-BASED PAYMENTS (continued)

Mulberry Group plc 2008 Deferred Bonus Plan

The plan was established on 8 August 2008 and is open to all employees of Mulberry Group plc and its subsidiaries. The share-based payments charge relates to the cost of matching shares awarded to employees participating in this plan. The vesting period is two years. If the matching shares remain unexercised after a period of ten years from the date of grant, the award expires. The matching shares may be forfeited if the employee leaves the Group.

Details of the share options outstanding during the year are as follows:

	2015	2014
	Number of matching shares	Number of matching shares
Outstanding at the beginning of the year	42,762	160,941
Forfeited during the year	–	(2,612)
Exercised during the year	(13,665)	(115,567)
Outstanding at the end of the year	29,097	42,762
Exercisable at the end of the year	29,097	26,110

The weighted average share price at the date of exercise for share options exercised during the year was £7.41 (2014: £9.58). The options outstanding at 31 March 2015 had a weighted average remaining contractual life of nil years (2014: 0.2 years) and have an exercise price of £nil.

The inputs into the Black–Scholes model are as follows:

	2014 and 2015
Share price	£14.75
Exercise price	£nil
Expected volatility	42%
Expected life	2 years
Risk-free rate	0.27%
Expected dividend yields	0.2%

Expected volatility was based on historical volatility over the expected life of the scheme. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

29. SHARE-BASED PAYMENTS (continued)

Mulberry Group plc 2009 Co-ownership Equity Incentive Plan

The plan was established on 20 August 2009. The vesting period is generally three years. The jointly owned shares may be forfeited if the employee leaves the Group prior to vesting and the rights of the participants lapse if the award has not been exercised after a period of seven years from the date of vesting.

Details of the share awards outstanding during the year are as follows:

	2015		2014	
	Number of share awards	Weighted average exercise price (in £)	Number of share awards	Weighted average exercise price (in £)
Outstanding at the beginning of the year	350,000	1.46	1,150,670	5.22
Forfeited during the year	–	–	(200,670)	23.02
Exercised during the year	–	–	(600,000)	1.46
Outstanding at the end of the year	<u>350,000</u>	1.46	<u>350,000</u>	1.46
Exercisable at the end of the year	<u>350,000</u>	1.46	<u>350,000</u>	1.46

The co-owned share rights outstanding at 31 March 2015 had a weighted average remaining contractual life of nil years (2014: nil years). The weighted average share price at the date of exercise for share awards exercised during the prior year was £9.80.

The inputs into the Black–Scholes model are as follows:

	2014 and 2015
Share price	£1.21½ to £18.89½
Exercise price	£1.46 to £23.02
Expected volatility	47.96% to 53.79%
Expected life	2.25 years to 4 years
Risk-free rate	0.41% to 2.16%
Expected dividend yields	0.4% to 1.6%

Expected volatility was based on historical volatility over the expected life of the scheme. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Group financial statements

(continued)

29. SHARE-BASED PAYMENTS (continued)

Mulberry Group plc Long Term Incentive Plan

The plan was established on 19 December 2012. The vesting period is generally three years and is dependent upon attainment of certain performance conditions, including achievement of Group revenue and EBIT growth. The options may be forfeited if the employee leaves the Group and the rights of the participants lapse if the award has not been exercised after a period of five years from the date of vesting.

Details of the share awards outstanding during the year are as follows:

	2015	2014
	Number of share options	Number of share options
Outstanding at the beginning of the year	162,076	190,342
Granted during the year	–	171,500
Forfeited during the year	(44,310)	(199,766)
Outstanding at the end of the year	117,766	162,076
Exercisable at the end of the year	–	–

The options outstanding at 31 March 2015 had a weighted average remaining contractual life of 0.82 years (2014: 1.82 years) and have an exercise price of £nil (2014: £nil). The weighted average fair value of options granted during the prior year was £9.84.

The inputs into the Black–Scholes model are as follows:

	2014 and 2015
Share price	£10.00 to £11.63
Exercise price	£nil
Expected volatility	53% to 60%
Expected life	1.5 years to 3 years
Risk-free rate	0.27% to 0.66%
Expected dividend yields	0.2% to 0.5%

Expected volatility was based on historical volatility over the expected life of the scheme. The expected life is based upon historical data and has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised the following expense/(income) related to share-based payments:

	2015	2014
	£'000	£'000
Mulberry Group plc 2008 Unapproved Share Option Scheme	48	119
Mulberry Group plc 2008 Deferred Bonus Plan	107	212
Mulberry Group plc 2009 Co-ownership Equity Incentive Plan	–	(108)
Mulberry Group plc Long Term Incentive Plan	–	(96)
	155	127

30. RETIREMENT BENEFIT SCHEMES

The Group contributes to personal pension plans for all qualifying employees. The total cost charged to income of £812,000 (2014: £751,000) represents contributions payable to these personal plans by the Group at rates contractually agreed. As at 31 March 2015, contributions due in respect of the current reporting period which had not been paid over to the plans were £87,000 (2014: £117,000).

31. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Group statement of changes in equity and notes 25 and 26.

Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expense are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in note 3 to the financial statements.

Categories of financial instruments

	Carrying values	
	2015 £'000	2014 £'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	17,154	30,198
Financial liabilities		
Amortised cost	11,756	9,239

Financial risk management objectives

The Group's Finance Director is responsible to the Board for the Group's financial risk management. This includes analysing the Group's exposure by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group seeks to minimise the effects of these risks where possible. It does this by maintaining bank accounts in all of the major currencies in which it trades and it operates its own internal hedging by offsetting currency receipts on sales against purchases in related currencies. Where there is significant risk remaining, and the Group deems it necessary, it uses derivative financial instruments to hedge these risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group reviews the need to enter into financial instruments on a regular basis but has not entered into any during the current or previous period. As the Group has no debt, it is not significantly exposed to interest rate risk on its financial liabilities and continues to seek to maximise the returns from its bank deposits.

Notes to the Group financial statements

(continued)

31. FINANCIAL INSTRUMENTS (continued)

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Euro	5,316	2,492	5,573	5,995
US Dollar	3,237	2,610	1,694	4,513

Foreign currency sensitivity analysis

The Group is mainly exposed to the US Dollar and Euro currencies.

The following table details the Group's sensitivity to a 10% increase or decrease in Sterling against the relevant foreign currencies. 10% is the sensitivity rate which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative or positive.

	Euro currency impact		US Dollar currency impact	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Profit or loss	23	185	(140)	173

Interest rate risk management and sensitivity analysis

The Group's exposure to interest rate risk on borrowings is limited as there is no outstanding debt within the Group. The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The Group's sensitivity to changes in interest rates has been illustrated based on a 1% increase or decrease in interest rates. For floating rate deposits and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease has been applied to represent management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher and all other variables were held constant, the Group's loss for the year ended 31 March 2015 would have increased by £35,000 (2014: profit increase by £79,000). This is mainly attributable to the Group's exposure to interest rates on its revolving credit facility.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining letters of credit where deemed appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit insurance cover is purchased.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics, other than as disclosed in note 21. The Group defines counterparties as having similar characteristics if they are connected entities.

31. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 22 is a description of additional undrawn facilities that the Group has at its disposal to reduce further liquidity risk.

Liquidity and interest risk tables

The Group's financial assets all contractually mature within the next year. Trade receivables do not accrue interest. The weighted average interest rate on cash and cash equivalents was -0.9% (2014: +0.3%).

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

2015	Weighted average interest rate	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
Current liabilities	-	31,205	-	-	-	-	31,205

2014	Weighted average interest rate	Less than 1 year £'000	1 to 2 years £'000	2 to 3 years £'000	3 to 4 years £'000	4 to 5 years £'000	Total £'000
Current liabilities	-	30,106	-	-	-	-	30,106

Fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate to their fair values.

32. SUBSEQUENT EVENTS

Subsequent to the year end, following the opening of the new Paris store, the Group closed the store at 207 Rue Saint-Honoré and sold its rights to the lease with a profit on disposal of approximately £300,000. In addition during May 2015 the Group sold the rights to its store lease on Grant Avenue, San Francisco. The store subsequently closed and a profit of approximately £600,000 was made on disposal.

Notes to the Group financial statements

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33. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties which are not members of the Group:

	Sale of goods		Amounts owed by related parties	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Mulberry Oslo AS	915	1,718	92	111
Club 21 Retail (Hong Kong) Limited*	2,767	4,730	94	113
Club 21 (Hong Kong) Limited*	(6)	357	–	6
Club 21 Shanghai Limited*	204	249	35	68
Club 21 Pte Limited*	1,220	2,217	19	101
Club 21 (Thailand) Co Limited*	821	1,125	22	27
Club 21 Pte Limited Taiwan Branch*	282	327	18	4
Club Twenty-One Retail (M) Sdn Bhd*	394	616	7	46
Club 21 Australia Pty Limited*	522	457	22	37
Club 21 Japan Company Limited*	451	542	8	7
PT Kelab 21 Retail*	82	–	20	–

* These are related parties of the Group as they are all related companies of Challice Limited, the majority shareholder of the Company.

All sales of goods have been made on an arm's length basis. The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

During the year, £200,000 of fees were paid to IN R.E Ltd, for consultancy services provided by Thierry Andretta (2014: £nil).

During the prior year, Mulberry Company (Design) Limited paid £70,000 in contributions to store refurbishments to Club 21 Pte Limited. No amounts were outstanding in relation to this at the prior year end.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided within the audited part of the Directors' remuneration report.

	2015 £'000	2014 £'000
Short term employee benefits	820	2,171
Post-employment benefits	40	88
Share-based payments	43	138
	903	2,397

34. CONTROLLING PARTY

At the year end, Challice Limited controlled 56.21% of the issued share capital of the Company. The ultimate controlling parties of Challice Limited are Mr Ong Beng Seng and Mrs Christina Ong. As at the date of signing the financial statements, Challice Limited controlled 56.21% of the issued share capital of the Company.

Company financial statements

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Company balance sheet

At 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible fixed assets	38	7,071	8,396
Investments	37	13,272	13,610
		20,343	22,006
Long term assets			
Debtors falling due over one year	39	–	29,038
Current assets			
Debtors falling due within one year	39	51,280	23,983
Creditors: amounts falling due within one year	40	(49,849)	(44,068)
Net current assets/(liabilities)		1,431	(20,085)
Total assets less current liabilities		21,774	30,959
Provision for liabilities	41	(55)	(96)
Net assets		21,719	30,863
Capital and reserves			
Called up share capital	44	3,000	3,000
Share premium account	45	11,961	11,961
Own share reserve	45	(1,601)	(1,676)
Capital redemption reserve	45	154	154
Special reserve	45	4,187	4,187
Profit and loss account	45	4,018	13,237
Shareholders' funds	46	21,719	30,863

The financial statements of Mulberry Group plc (company number 01180514) were approved by the Board of Directors and authorised for issue on 10 June 2015.

They were signed on its behalf by:


Godfrey Davis
Director


Roger Mather
Director

Notes to the Company financial statements

Year ended 31 March 2015

35. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006 and have been prepared in accordance with applicable United Kingdom Accounting Standards and law. They have been prepared under the historical cost convention and under the going concern assumption. Further details of the Directors' considerations in relation to going concern are included in the Directors' report.

The principal accounting policies are summarised below. These have been applied consistently throughout the year and the preceding year.

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life at the following rates per annum:

Freehold buildings	5% per annum
Short leasehold property	term of the lease
Fixtures and fittings	10% to 33% per annum

Freehold land is not depreciated.

Investments

Fixed asset investments in subsidiaries and associates are shown at cost less provision for impairment.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Foreign exchange

Transactions denominated in foreign currencies are translated into Sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Pension costs

Payments to employees' personal pension plans are charged as an expense as they fall due.

Share-based payments

The Company participates in a number of executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using the Black-Scholes model and the corresponding expense is recognised on a straight-line basis over the vesting period based on the Company's estimate of the proportion of the shares that will actually vest.

Notes to the Company financial statements

(continued)

35. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. The taxation liabilities are reduced wholly or in part by the surrender of tax losses by fellow Group undertakings for which payment is made.

Cash flow statement

A cash flow statement has not been prepared as the Group financial statements include a Group cash flow statement.

36. (LOSS)/PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. Mulberry Group plc reported a loss for the financial year ended 31 March 2015 of £6,489,000 (2014: profit of £2,168,000). Included in the loss for the year is a provision of £43,620,000 (2014: £nil) against intercompany balances and a provision for impairment of investments of £5,409,000 (2014: £nil).

The auditor's remuneration for audit and other services is disclosed within note 9 to the Group financial statements. The only employees of the Company are the Directors whose emoluments are disclosed in the Directors' remuneration report.

37. FIXED ASSET INVESTMENTS

	Subsidiaries shares £'000	Subsidiaries loans £'000	Total £'000
Cost			
At 1 April 2014	3,266	11,804	15,070
Additions	5,071	-	5,071
At 31 March 2015	8,337	11,804	20,141
Provision for impairment			
At 1 April 2014	1,460	-	1,460
Charge for the year	5,409	-	5,409
At 31 March 2015	6,869	-	6,869
Net book value			
End of year	1,468	11,804	13,272
Beginning of year	1,806	11,804	13,610

The additions to investments in the year represents an increase in the share capital of Mulberry Company (France) SARL.

37. FIXED ASSET INVESTMENTS (continued)

The Company has investments in the following subsidiaries and associates which principally contributed to the results or net assets of the Group:

	Country of incorporation	Principal activity	Holding of ordinary shares
Subsidiaries			
Mulberry Company (Design) Limited	England and Wales	Design and manufacture of clothing and fashion accessories in the UK	100%
Mulberry Company (France) SARL	France	Establishment and operation of retail stores in France	100%
Mulberry Company (Sales) Limited	England and Wales	Establishment and operation of retail shops in the UK	100%*
Mulberry Company (Europe) Limited	England and Wales	Intermediary holding company	100%
Mulberry Company (USA) Inc	USA	Establishment and operation of retail stores in the USA	100%
Mulberry Group Plc Employee Share Trust	Guernsey	Operation of an employee share trust	100%
Mulberry Company (Germany) GmbH	Germany	Establishment and operation of retail stores in Germany	100%
Mulberry Company (Switzerland) GmbH	Switzerland	Establishment and operation of retail stores in Switzerland	100%
Mulberry Company (Austria) GmbH	Austria	Establishment and operation of retail stores in Austria	100%
Mulberry Company (Canada) Inc	Canada	Establishment and operation of retail stores in Canada	100%
KJ Saint Honoré SA	France	Lessor of a retail store	100%**
Associates			
Mulberry Oslo AS***	Norway	Operation of a retail store in Oslo	50%*

Mulberry Oslo AS is treated as an associate as, while the Group effectively owns 50% of the issued share capital, the entity is controlled by a third party.

* Owned by Mulberry Company (Europe) Limited

** Owned by Mulberry Company (France) SARL

*** Accounting reference date of 30 September

Notes to the Company financial statements

(continued)

38. TANGIBLE FIXED ASSETS

	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2013	6,288	6,854	890	14,032
Additions	26	99	2	127
At 31 March 2015	<u>6,314</u>	<u>6,953</u>	<u>892</u>	<u>14,159</u>
At 1 April 2014	2,063	3,172	401	5,636
Charge for the year	245	1,069	138	1,452
At 31 March 2015	<u>2,308</u>	<u>4,241</u>	<u>539</u>	<u>7,088</u>
Net book value				
End of year	<u>4,006</u>	<u>2,712</u>	<u>353</u>	<u>7,071</u>
Beginning of year	<u>4,225</u>	<u>3,682</u>	<u>489</u>	<u>8,396</u>

Freehold land of £997,000 (2014: £997,000) has not been depreciated.

At 31 March 2015, the Company had not entered into any contractual commitments for the acquisition of property (2014: £nil) and there were no assets under the course of construction where depreciation has not yet commenced (2014: £nil).

39. DEBTORS

	2015 £'000	2014 £'000
Amounts falling due greater than one year:		
Amounts owed by Group undertakings	-	29,038
Amounts falling due within one year:		
Amounts owed by Group undertakings	51,082	23,677
Prepayments and accrued income	198	232
Current tax	-	74
	<u>51,280</u>	<u>23,983</u>

40. CREDITORS

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Amounts owed to Group undertakings	47,426	41,689
Accruals and deferred income	1,704	2,379
Current tax	719	-
	<u>49,849</u>	<u>44,068</u>

41. PROVISION FOR LIABILITIES

	2015 £'000	2014 £'000
Deferred tax – accelerated capital allowances	55	96
Deferred tax liability at 1 April 2014	96	
Credit for the year	(41)	
Deferred tax liability at 31 March 2015	55	

42. RELATED PARTY TRANSACTIONS

Details of related party transactions are provided in note 33 of the Group financial statements. The Company has taken advantage of the exemption in FRS 8 not to disclose details of transactions with other wholly-owned Group companies.

43. CONTINGENT LIABILITIES

Mulberry Group plc has acted as a guarantor on various property leases entered into between its subsidiaries and third-party lessors. No amounts were outstanding at the year end in respect of such guarantees (2014: £nil).

Mulberry Group plc has acted as guarantor on a £2.5 million Regional Growth Fund grant received by its subsidiary, Mulberry Company (Design) Limited, towards the operating costs of a new factory in Bridgwater, Somerset. The Group has to fulfil certain requirements through to June 2020, which if not met, some or all of the grant will need to be repaid. The Group is currently in compliance with these requirements and does not envisage that this situation will change and therefore there are no outstanding liabilities at the year end (2014: £nil).

44. CALLED UP SHARE CAPITAL

	2015 £'000	2014 £'000
Authorised		
65,000,000 ordinary shares of 5p each (2014: 65,000,000)	3,250	3,250
Issued and fully paid		
59,997,458 ordinary shares of 5p each (2014: 59,997,458)	3,000	3,000

There were no shares issued during the year.

The Company has granted 304,400 options in respect of 5p ordinary shares during the year (2014: 171,500).

Notes to the Company financial statements

(continued)

45. RESERVES

	Share capital £'000	Share premium £'000	Own share reserve £'000	Capital redemption reserve £'000	Special reserve* £'000	Profit and loss account £'000
Balance at 1 April 2014	3,000	11,961	(1,676)	154	4,187	13,237
Loss for the year	-	-	-	-	-	(6,489)
Ordinary dividends paid	-	-	-	-	-	(2,966)
Charge for share-based payments	-	-	-	-	-	137
Exercise of share options	-	-	-	-	-	99
Own shares	-	-	75	-	-	-
Balance at 31 March 2015	<u>3,000</u>	<u>11,961</u>	<u>(1,601)</u>	<u>154</u>	<u>4,187</u>	<u>4,018</u>

* Created as part of a capital restructuring of the Group in 2004.

The cumulative amount of goodwill resulting from acquisitions in earlier financial years which has been written off is £165,000 (2014: £165,000).

The own share reserve represents 701,031 5p ordinary shares (2014: 733,814) at a cost of £1,601,028 (2014: £1,675,900). The shares have been purchased in the market or issued as new shares by the Company, and are held by the Mulberry Group Plc Employee Share Trust to satisfy the deferred and matching shares under the Deferred Bonus Plan and Co-ownership Equity Incentive Plan.

During the year, the reserve reduced as a result of the transfer of 32,783 shares with a value of £74,872 (2014: 552,429 shares with a value of £1,261,648) to satisfy the vesting of share awards.

46. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	£'000
Balance at 1 April 2014	30,863
Loss for the year	(6,489)
Ordinary dividends paid	(2,966)
Charge for share-based payments	137
Exercise of share options	99
Own shares	75
Balance at 31 March 2015	<u>21,719</u>

Notice of Annual General Meeting

Notice is given that the Annual General Meeting of Mulberry Group plc will be held at Mulberry Group plc's offices, 30 Kensington Church Street, London, W8 4HA on 8 September 2015 at 11 am for the following purposes:

Ordinary Business:

To consider and, if thought fit, pass the following resolutions, which will be proposed as ordinary resolutions:

Adoption of financial statements

1. That the report of the Directors and the financial statements for the year ended 31 March 2015 together with the independent auditor's report be received and adopted.

Dividend declaration

2. To declare a final dividend of 5.0 pence per ordinary share for the year ended 31 March 2015.

Election of Directors

3. To elect Ms J Gilhart as a Director who, having been appointed since the last Annual General Meeting, offers herself for re-election in accordance with the Company's Articles of Association.

Re-election of retiring Directors

4. That Mr G P Davis who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.
5. That Mr R T Mather who retires as a Director by rotation in accordance with the Company's Articles of Association be re-elected as a Director.

Appointment of auditor

6. That Deloitte LLP be re-appointed as auditor of the Company until the conclusion of the next general meeting before which accounts are laid, and that their remuneration be agreed by the Directors.

Special Business:

To consider and, if thought fit, pass the following resolutions, of which resolution 7 will be proposed as an ordinary resolution, and resolutions 8 and 9 will be proposed as special resolutions:

Directors' power to allot relevant securities

7. That, in substitution for any equivalent authorities and powers granted to the Directors prior to the passing of this resolution, the Directors be and they are generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act") to exercise all powers of the Company to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") up to an aggregate nominal amount of £999,958, provided that, unless previously revoked, varied or extended, this authority shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2016, except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this authority had not expired.

Notice of Annual General Meeting

(continued)

Waiver of statutory pre-emption rights

8. That the Directors be and they are empowered pursuant to Section 570(1) of the Act to allot equity securities (as defined in Section 560(1) of the Act) of the Company wholly for cash pursuant to the authority of the Directors under Section 551 of the Act conferred by resolution 7 above, and/or by way of a sale of treasury shares (by virtue of Section 573 of the Act), in each case as if Section 561(1) of the Act did not apply to such allotment, provided that:
- (a) the power conferred by this resolution shall be limited to:
 - (i) the allotment of equity securities in connection with an offer of equity securities to the holders of ordinary shares in the capital of the Company in proportion as nearly as practicable to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems arising under the laws or requirements of any overseas territory or by virtue of shares being represented by depository receipts or the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
 - (ii) the allotment, otherwise than pursuant to sub-paragraph (i) above, of equity securities up to an aggregate nominal value equal to £149,994; and
 - (b) unless previously revoked, varied or extended, this power shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2016 except that the Company may before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

Authority to purchase ordinary shares (market purchases)

9. That the Company be and is hereby unconditionally and generally authorised for the purposes of Section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 5p each ("Ordinary Shares") provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 2,999,873;
 - (b) the minimum price which may be paid for any such Ordinary Share is 5p;
 - (c) the maximum price which may be paid for an Ordinary Share shall be an amount equal to 105% of the average middle market prices for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is contracted to be purchased; and
 - (d) this authority shall, unless previously renewed, revoked or varied, expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the Annual General Meeting of the Company to be held in 2016, but the Company may enter into a contract for the purchase of Ordinary Shares before the expiry of this authority which would or might be completed (wholly or partly) after its expiry.

By order of the Board

Kate Anthony Wilkinson
Secretary
10 June 2015

Registered office: The Rookery, Chilcompton, Bath, Somerset, BA3 4EH

Notes:

1. All members holding ordinary shares are entitled to attend, speak and vote at the meeting. Such members may appoint a proxy to attend, speak and vote instead of them. A proxy need not also be a member of the Company but must attend the AGM in order to represent his appointer. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A form of proxy is enclosed. The notes to the form of proxy include instructions on how to appoint the Chairman of the AGM or another person as proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be effective the form must reach the Company's registrar, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS99 6ZY by 11 am on 4 September 2015.
2. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those persons registered in the register of members of the Company at 6 pm on 4 September 2015 (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time. Any changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
3. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form other than as specified in the enclosed form of proxy.
4. As at 10 June 2015 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 59,997,458 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 10 June 2015 are 59,997,458.
5. The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this Notice until the conclusion of the AGM and will also be available for inspection at the place of the AGM from 10.45 am on the day of the AGM until its conclusion:
 - (a) the register of Directors' interests in the shares of the Company; and
 - (b) copies of the Executive Directors' service contracts with the Company and letters of appointment of the Non-Executive Directors.

Explanatory notes to the Special Business to be transacted at the meeting

Resolution 7 – Directors’ power to allot relevant securities

Resolution 7, which will be proposed as an ordinary resolution, grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate nominal value of £999,958, representing approximately one-third of the nominal value of the issued ordinary share capital of the Company as at 10 June 2015, being the latest practicable date before publication of this Notice. The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of unissued share capital is available for issue so that they can more readily take advantage of possible opportunities in the future.

Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of the resolution, whichever is the earlier.

Resolution 8 – waiver of statutory pre-emption rights

Resolution 8, which will be proposed as a special resolution, authorises the Directors in certain circumstances to allot equity securities for cash other than in accordance with statutory pre-emption rights (which require a company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £149,994, representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 10 June 2015, being the latest practicable date before publication of this Notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 18 months after the passing of the resolution, whichever is the earlier.

The Company may hold any shares it buys back “in treasury” and then sell them at a later date for cash rather than simply cancelling them. Any such sales are required to be made on a pre-emptive, pro-rata basis to existing shareholders unless shareholders agree by special resolution to dis-apply such pre-emption rights. Accordingly, in addition to giving the Directors power to allot unissued ordinary shares on a non pre-emptive basis, resolution 8 will also give the Directors power to sell ordinary shares held in treasury on a non pre-emptive basis, subject always to the limitations noted above.

The Directors consider that the power proposed to be granted by resolution 8 is necessary to retain flexibility in relation to the management of the Company’s share capital, although they do not have any intention at the present time of exercising such power.

Resolution 9 – authority to purchase ordinary shares (market purchases)

Resolution 9, which will be proposed as a special resolution, authorises the Directors to make market purchases of up to 2,999,873 ordinary shares (representing approximately 5% of the Company’s issued ordinary shares as at 10 June 2015, being the latest practicable date before publication of this Notice). Shares so purchased may be cancelled or held as treasury shares as noted above. The authority will expire at the end of the next Annual General Meeting of the Company or 18 months from the passing of the resolution, whichever is the earlier. The Directors intend to seek renewal of this authority at subsequent Annual General Meetings.

The minimum price that can be paid for an ordinary share is 5p, being the nominal value of an ordinary share. The maximum price that can be paid is 5% over the average of the middle market prices for an ordinary share, derived from the Daily Official List of the London Stock Exchange, for the five business days immediately before the day on which the share is contracted to be purchased.

The Directors intend to exercise this right only when, in light of the market conditions prevailing at the time and taking into account all relevant factors (for example, the effect on earnings per share), they believe that such purchases are in the best interests of the Company and shareholders generally. The overall position of the Company will be taken into account before deciding upon this course of action. The decision as to whether any such shares bought back will be cancelled or held in treasury will be made by the Directors on the same basis at the time of the purchase.

Group five-year summary

Year ended 31 March 2015

	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000
Results					
Revenue	121,645	168,451	165,130	163,456	148,680
Operating profit	23,010	35,417	25,531	13,717	1,700
Profit before tax	23,345	36,001	26,026	14,014	1,861
Profit/(loss) attributable to equity holders	17,063	25,301	18,693	8,602	(1,392)
Assets employed					
Non-current assets	20,620	28,553	39,716	43,296	47,355
Current assets	55,967	74,751	71,789	70,768	62,539
Current liabilities	(34,555)	(40,815)	(32,796)	(30,106)	(31,205)
Non-current liabilities	-	(26)	-	-	-
Net assets	42,032	62,463	78,709	83,958	78,689
Key statistics					
Earnings/(loss) per share	29.8p	43.9p	32.2p	14.5p	(2.3p)
Diluted earnings/(loss) per share	29.1p	43.4p	32.0p	14.3p	(2.3p)